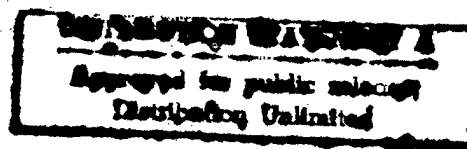


JPRS-CAR-89-104  
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# ***JPRS Report***



# **China**

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B=1 U361056 A 4 A NEW DOC--FLAGS:1=0,2=0,3=0,4=0  
A=0,B=0,C=0,D=0,E=0,F=1,G= 0,H=0,I=0 B2= iprs  
B2A= JPRS-CAR-89-104 3 B3= 3 B4= JPRS-CAR-89-104

PAGE 2

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B7:PR-ACCT= \$ 00000 DATE(000/000/000) 0  
B1 - CONTROL NUMBER: U361056  
B4 - ACCESSION NUMBER: .....JPRS-CAR-89-104  
B3 - COLLECTION CODE: 3  
B6 - MANAGEMENT CODE: HH  
B7 - PROCESS ACTNG CD: 01 B7A-REGISTRATION FEE: 00000  
B8 - PRODUCT MANAGER: H  
B9 - RECEIPT TYPE: 1 B9A-LOAN DUE OUT:  
B10- TRANSACTION: TN B10A-DUPE/PRIOR/SUPER:  
B12- RETURNS: 0 B12A-RETURN DATE:  
B13- PROCESSING: 1  
B14- PAT. POTENTIAL: 0  
B17- FORM/PRICE: 12002 ,  
B18- ANNOUNCE: 0000  
B19- PUBLICATION-1: U9006 B20- PUBLICATION-2:  
B21- LIMITATION: 0  
B23- PC BIN: 000  
B24- STOCK: 0010 B24A-STOCK TYPE CODES: D  
B25- PAGES/SHEETS: 00064  
B26- PC PRICE CODE: A04  
B27- DOMESTIC PRICE: 0000000 B28- FOREIGN PRICE: 0000000  
B29- ACTION CODES: SS  
B33- MN PRICE CODE: X00  
B34- DOMESTIC PRICE: 0000000 B35- FOREIGN PRICE: 0000000  
B36- ACTION CODES: XM  
B37- RELEASABILITY CD: A  
B38- MF PRINT: D  
B39- ADDITIONAL INFO: n  
B40- PRINT PC: n  
B41- PC DUE: n  
B42- SOURCE ORDER: n  
B42A-GENERATE RDP: 0  
B42B-SUPPLIER SRC CD:  
006 )China.I  
011 )Oct 89,I

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JPRS-CAR-89-104

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## UNITED STATES

### U.S. Tourists Visit Tiananmen Square

40050666b Beijing RENMIN RIBAO in Chinese  
21 Aug 89 p 4

[Article by Chen Xian 7115 0341, Su Jinghua 5685 2529 5478, reprinted from BEIJING RIBAO: "What They See—An Objective Report of a 'See Tiananmen Square Yourself' Touring Party From the United States of America"]

[Text] At noon on the 12th, under the bright sunlight, Tiananmen Square looked even hotter than it was. The hundred U.S. tourists of the "See Tiananmen Square Yourself" tour group came here happily with small buttons on their chests saying "Invited To Tour China."

As soon as they got off the bus, the tourists were amazed by the scene in front of them. The Tiananmen Rostrum was set off by the blue sky, white clouds, green trees, and red walls. Many of them immediately took out their cameras and set up their tripods...

An old American whose hair already turned white looked exceptionally special. He didn't laugh with the crowd, but checked around the National Hero Monument as if looking for something.

It is not surprising that during the past a few months Tiananmen Square had become the center of the unbridled exaggerations of some Western news media and brought a heavy shadow upon the tourists. It is understandable how eager they are to verify the truth for themselves.

We walked up to the old man and started talking with him. The old man said honestly, "Oh, this does not look like what I heard about." This retired steelworker came to Beijing in the winter of 1981 and saw Tiananmen Square then. After the incident occurred in Beijing this year, the old man became more concerned about Tiananmen. After 1 day of sightseeing he already had some idea. He said, "Before coming to China, many people said that one may run into trouble if one goes to China at this moment. I came, but did not have any problems. It is quite normal and very peaceful."

We again randomly interviewed more than 10 other tourists and learned that most of them had the same feeling as the old man did. The five members of the Walter Connie family from northern New York had a good time. They were very curious about the largest square in the world. When the father, who is a professor, wandered around the square tirelessly, with his 9-year-old daughter on his shoulder, he told us that his family had always wanted to come to China, but was worried about the safety. After noticing an advertisement from Guohua Vacation Travel Service about this tour and its guarantee of safety in THE NEW YORK

TIMES, the whole family decided to join the tour immediately. On the way to China they felt safe and calm.

The young people among the tourists were more excited. One American young man dramatically stretched out his right arm, pointing to Tiananmen Rostrum while saying, "This is Tiananmen!" His companion's camera captured this moment for him.

Mr Peter Fafenlos of New Jersey had some difficulty walking, but like the others, he wandered around the square as well. He has a farmland development and design job.

"How do you feel about Beijing?" asked a few reporters.

He naturally shrugged his shoulders and said, "It is my first visit to China. Beijing impresses me as a large city. It is surprisingly clean for such a large city. And the people in Beijing are very friendly to us. Wherever we go, many people talked with us without any hesitation. I am very happy. I love this city."

While talking, he kindly handed out as souvenirs to the people around a few buttons with the symbol of the state of New Jersey.

Finishing the interview with Mr Fafenlos, we again started talking with an old man in a black T-shirt with a sun visor on his head. He is a retiree of a publishing agency in the United States and currently lives in Boston. For this old man, coming to Beijing indeed required some courage. He told us, "Before coming, my ears were full of advice not to go, but I insisted on going. Until the last minute, the state government agreed to let us go. Some propaganda machines always make counter-propaganda. Today I arrived in Beijing and saw the peaceful life here. People have beautiful clothes and smiles on their faces. It doesn't look like anything bad happened here before. It tells me that it is the most realistic if I see by my eyes."

A yellow-skinned man and woman seemed to be discussing something.

"I am in the transportation business. Some time ago I heard a lot of propaganda about the turmoil in China which made normal exchange impossible. I was really confused about what was happening. It is very good to have a chance to see for myself this time. My hesitation is gone. I will bring the message back and tell people that they may feel free to come to China for vacations or business." The female tourist beat the male tourist to telling us first about her feelings.

A male tourist with a small cap said even more deeply, "To know China, it is necessary to give people an opportunity. Slowly, people will see clearly. We honestly hope the China's cause can flourish."

We were deeply touched by their words.

## NEAR EAST/SOUTH ASIA

**Commentary on Mubarak Visit to U.S.***HK1210084289 Beijing RENMIN RIBAO in Chinese  
7 Oct 89 p 3*

[Article in "International Outlook" column by staff reporter Lin Jiaoming 2651 4109 2494: "Mubarak Revisits the White House"]

[Text] On 2 October, as Egyptian President Muhammad Husni Mubarak shook hands with President George Bush in the White House for the second time, the climate in the Middle East was not as cold as it had been 6 months ago when they met for the first time.

When Mubarak visited the United States this spring, he "did not bring any concrete plan," but explained the Arabian position and principles regarding the peace talks. The United States invited the leaders of the three countries—Egypt, Israel, and the Palestinian state—to the White House for talks, listened carefully, spoke very little, and acted with prudence. In the White House's Rose Garden, Bush responded with only a 4-point proposal, which included nothing more than ending Israeli occupation, "exchanging land for peace," realization of the political rights of the Palestinian people, and protecting the safety of Israel. However, regarding the problem of how to get started in solving the problem of the Middle East, no decision was made.

Six months elapsed, and Mubarak revisited the White House, with a very clear goal for talks: The peace process in the Middle East at this moment must begin with a direct Palestinian-Israeli dialogue. The 10-point "implementation plan" proposed by Egypt in response to Shamir's election plan was precisely one which demanded that "first, both the Israeli side and Palestinian side sit down at the dialogue table."

President Mubarak reminded people that "a dialogue is not a negotiation; there is a big difference between them." A dialogue involves no preconditions; one should discuss first and see what is needed later. He disclosed that the issues he had discussed with Bush were "promised" by Yasir 'Arafat, chairman of the Palestine Liberation Organization [PLO], and that the list of members of the Palestinian delegation he carried was "also agreed to by 'Arafat" and they "are not members of the PLO." It seems that the Bush administration should not have any objections to actively promoting a direct Palestinian-Israeli dialogue as urged by the Egyptian president based on the constructive stand adopted by Egypt and Palestine.

In fact, the U.S. Government has time and again expressed consent to the Egyptian plan, stressing, however, that the dialogue must lead to the eventual implementation of Shamir's election plan. Its rhetoric still opposes convening now an international conference on peace in the Middle East. The common point of the

stand of the United States and of Egypt is that both want to see that a channel for direct Palestinian-Israeli dialogue is first opened.

The current political situation in the Middle East has become active because discussions have been underway in the Arabic world, with Egypt acting as the initiator. Some expressed support, some waited and observed, and some still held a skeptical attitude, but Chairman 'Arafat, as a party directly involved in the conflict, said in Tokyo that the result of talks between Mubarak and Bush in Washington was "very positive."

The international community has attached great importance to the intermediary function played by Egypt. Soviet Foreign Minister Eduard Shevardnadze said the Soviet Union would support talks between Israel and Palestine when he met Israeli Foreign Minister Moshe Arens, and urged Arens to take part in direct dialogue with the PLO. At the same time, Shevardnadze has recently written to Chairman 'Arafat, saying that without the PLO in the negotiations, it would be impossible to reach a plan for solving the Middle East problem. The position of the West European nations urging talks on peace in the Middle East has been clear, and they generally attached importance to the mediation by a big Arabic country like Egypt.

After Egypt and the United States finished their talks in Washington, Secretary of State James Baker said something interesting: "The peace process in the Middle East now depends on the result of meetings of the Israeli cabinet; if the Likud bloc and Israel's Labor Party cannot reach consensus on the Egyptian plan, we can only start all over again." According to analysis, his words have two meanings, one of which is what has been alleged by the press in the West, that "the United States is exerting pressure on Israel" and "urging Israel to agree to a direct Palestinian-Israeli dialogue." This might be true. Bush said in February 1989 that the United States hoped that the parties concerned in the Middle East "adopt measures first," implying that the United States would not easily step onto the stage. The Egyptian plan provided an "opportunity for a breakthrough," which was already noted by THE WASHINGTON POST. No one can ignore the other meaning; that is, if the Israeli cabinet accepts direct dialogue, it will have to shoulder the serious consequence of a breach within it, and it would be better to play for time. This apparently is to provide Israel with a way out and with room to maneuver.

Within the Israeli cabinet, the Likud bloc and the Labor Party now face the critical decision of whether to accept a direct Palestinian-Israeli dialogue. National Defense Minister Yitzhaq Rabin, who has been looked upon by the United States and Egypt as an important figure, has been described as a person who is "more flexible than Shamir and tougher than Peres." The fact that Rabin could go to Cairo to discuss the dialogue problem with Mubarak has indicated that something has been going on within the Israeli cabinet. Shamir, in order to back off from the stand of opposing direct dialogue, has proposed

preconditions: Talks between the Egyptian and Israeli leaders must be held first and Shamir's election plan must be accepted overall by the Palestinian side. It seems

that the Israeli cabinet will create an issue out of minor problems and avoid the topic of Palestinian-Israeli dialogue, or follow Baker's old way; that is, delaying.

**Dissident Ren Wanding Reissues Article on Human Rights**

40050506a Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 280, Apr 89 pp 14-16

[Article by Ren Wanding 0117 3979 3957: "The Practical Meaning of the Slogans of Human Rights and Equality—Marking the 10th Anniversary of the Beijing Democracy Wall"]

[Text] *Mr Ren Wanding, who organized the Human Rights Alliance and published a 19-point "human rights declaration" in Beijing in 1978, played an important role in the democratic movement at that time. But he was arrested in March 1979 and sentenced to 4 years in prison. After his release from prison, he kept his silence until recently, when he became active again.*

**Note by the writer:** China's democratic and social reform movement started with the Beijing Democracy Wall in 1978. The movement continued until 1981.

The Democracy Wall opened a new chapter in China's political history, ideology, and culture. Because of press censorship and publishing difficulties, the Democracy Wall theories have never been fully known and studied by the people of China and the world. Those theories undoubtedly occupy a dominating position in the field of social science of contemporary China. Some of the theories are outstanding even by today's standard.

The article, "The Theoretical and Historical Bases of the Democratic Movement," published in the third issue of ZHONGGUO RENCHUAN [HUMAN RIGHTS IN CHINA] was representative of the Democracy Wall movement.

The movement produced the Human Rights Declaration of China and a human rights organization. The declaration may be brief and the organization may be small and weak, but, in the entire movement, they came closest to taking on the forms of a program and a mass organization. The fact that both the declaration and the organization were named human rights was not ignored by the world, nor by the 6 August student strike. The human rights movement directed the entire tide of the Democracy Wall. It was the strongest voice of the Democracy Wall movement.

Sixty years after the inception of the human rights movement (1919-1979), demands for human rights and democracy rose to occupy first place in the people's movement. It was a new milestone in the political awakening of the Chinese people.

In the past decade, this movement has forced official political circles and academic circles to retreat again and again and finally to accept the new idea of socialist human rights.

On the occasion of the 10th anniversary of the Democracy Wall, I am offering to readers, through MING PAO YUE KAN, an article about human rights, which I wrote 10 years ago in prison.

20 March 1989, Beijing

The course of history in the 7 short months since I was arrested as an active counterrevolutionary on 4 April this year (1979) has shown again and again not only the profound and extensive practicality and rationality of human rights as a revolutionary democratic slogan, but the revolutionary inspirational value of human rights as a new meaning that history has given to socialism.

It was totally unexpected that the publication of the Human Rights Declaration (revised on 17 January 1979) would attract so much attention from the entire society, the media at home and abroad, and government authorities.

The HONG QI journal, organ of the CPC Central Committee; ZHONGGUO QINGNIAN BAO, organ of the CYL [Communist Youth League] Central Committee; BEIJING RIBAO, organ of the Beijing Municipal CPC Committee; and GUANGMING RIBAO and RENMIN RIBAO have all published and reprinted each other's articles criticizing the human rights slogan. The state security organs have done a lot of work. The authors of the Human Rights Declaration and the leading members of the alliance have been arrested and put in prison.

All this shows that the new consciousness of human rights has been generally recognized as a social consciousness, and that the force of human rights (people's rights) has been recognized as a social force. This is the force of history.

What is wrong with the Human Rights Declaration? Like people's movements of the past, the Human Rights Declaration has in various ways pushed forward and influenced the country's political, spiritual, and economic lives since the 3d Plenary Session of the 11th CPC Central Committee. Of course, it has also directly influenced the legislative preparations and results of the Second Session of the Fifth NPC [National People's Congress].

The charter movement of the 20th century has achieved its intended goals.

The Electoral Law, which had been abolished, has been promulgated anew and revised; various government financial and economic targets have been made public; the role of the democratic parties in the NPC has been strengthened; organs of power and administrative organs at the local level have been separated; legislative preparations are being made for the autonomy of minority nationalities; the charging of "ideological offenders" as criminals is criticized; the profit system is being reformed again; job opportunities and welfare have been improved for citizens; Sino-Soviet talks have resumed;



doors have been opened to advanced industrial nations; an initial appraisal has been made of the period from 1957 through the Cultural Revolution; the personality cult has been further criticized; socialist state ownership in agriculture has been abolished; many theoretical and academic forbidden zones have been broken through; and so on.

In September last year, equality, that is, human rights, as a slogan in the movement to emancipate the mind, finally attained the lofty place it deserves. It appeared in the National Day slogans on the 30th anniversary of the founding of the People's Republic of China. And this slogan was published by none other than the CPC Central Committee.

Some newspapers and magazines criticize the slogan of human rights for not being a proletarian slogan, but why don't they criticize the same type of bourgeois slogans, "everyone is equal before the truth" and "everyone is equal before the law," which appeared among the National Day slogans?

What is equality? "To put it in a nutshell, equality means bourgeois equality before the law." (Frederick Engels, *Anti-Duhring*)

What are human rights? "The rights of man are his rights to freedom and equality." (*Anti-Duhring*) Not only are the rights of man declared to be bourgeois rights, but they are naturally declared as rights to freedom and equality. (*Anti-Duhring*)

"Equality" is one of the most important human rights. The bourgeoisie frequently expresses its demands for freedom and equality in a concentrated way as a human rights program.

It is not hard to see that the demand for equality is a demand for human rights, and that a demand for human rights includes the demand for equality. The two are like son and father, and also like full brothers.

Marxism holds that these two slogans have been of great value and very inspirational to the proletariat in socialist movements in all countries since the French Revolution.

The demand for people's rights in China's Declaration of Human Rights is a demand for equality, but the unfairness is that the slogan of human rights has not obtained the same legitimate status as the slogan of equality. And that is not all. We are arrested and prosecuted for advocating the human rights program. This has made a stinging mockery of the current slogan that everyone is equal before the truth and the law. It proves again that the lack of legal protection for citizens' democratic rights, the existence of special privileges, and the rule by man and not by law remain serious problems in China. All this is directly related to the fact that our legal system has been and still is incomplete and fragmentary.

China's state apparatus is a completely new apparatus built after the destruction of the old one. The builders of the apparatus are directly responsible for its normal operation.

However, because there are major shortcomings in China's social, state, and party systems, it is inevitable that these systems often fall back into the beaten track of the old systems and become seriously repetitive and conventional.

Over the years, the democratic centralism of the party and state has been almost totally destroyed; the NPC has been dissolved at will; the president of the state was dismissed at the word of one person; the Constitution became a mere scrap of paper; the armed forces took control of everything; NPC sessions were held in secret; the CPPCC [Chinese People's Political Consultative Conference] was abolished; and, up to the time of the Fifth NPC in 1978, the most fundamental right of citizens—the right to vote—was given no respect.

This is enough. It certainly is not the way a socialist system should be under the dictatorship of the proletariat. Instead, it is a feudalistic small producers' patriarchal system, which runs entirely counter to the principles of a new proletarian political power. It is not the wrongdoing of a few persons, but the responsibility of the whole party.

The above-mentioned historical retrogression is sufficient proof that our systems are fragmentary and incomplete, not just imperfect and immature. If the party is afraid to admit this, then it is not a party on the side of truth.

It has been borne out by all progressions from an old system to a new one in history and also by the bitter lessons of the decade of domestic turmoil that a fragmentary and incomplete system can lead to the collapse of the new and restoration of the old. It is also what usually happens when great men choose to block and disrupt the course of history.

As far as today's Democracy Wall movement is concerned, this kind of disruption and retrogression have made it inevitable for the current movement to emancipate the mind to take on a democratic character. This character is reflected and manifest not only in mass movements, but in the party's decision on National Day slogans.

The masses have long been dissatisfied with the limited, indirect, and veiled theoretical discussions on the "criticism of truth." Even the party is dissatisfied with this form of discussion and has bluntly called for the slogan of "equality."

The masses have resorted to the programmatic weapon which is even more effective in expressing the historical trend and public will. The slogan of "human rights" was reborn at this historical moment. Isn't "rights of the people" the newest and most comprehensive meaning of

"human rights"? Human rights have gained a new form not only in words but also in substance.

The old slogan has been reformed.

The power of the "human rights" slogan lies deep in the hearts of the people.

The loss of the people's democratic rights in many places is both the end result and the root cause.

Opposition to an individual means counterrevolution. How many years has China been dominated by this retrogressive rule, which has strangled truth, progress, and the people? Even in formal documents around the time of the 11th National CPC Congress and the Fifth NPC, this erroneous rule was still being reaffirmed repeatedly. Many "criminals in thought and speech" and people wrongly sentenced as counterrevolutionaries are still in prison. The people and cadres are still tightly controlled in their way of thinking by the divine and monarchical authority.

To those who say that today's revival of the slogan of human rights, as an idea of bourgeois enlightenment, is a historical mistake, I say you can put it better as an invitation extended with love by the evil gods of feudalism and special privileges to Miss Enlightenment in the 20th century, the era of electronic information.

A backward economy generates backward thinking. The chopped-up history should be reconnected.

The slogan of human rights has demonstrated its tremendous practical significance in pushing forward the discussion on the "criterion of truth" and in emancipating the cadres' minds. The slogan of human rights is worthy of the revolutionary, rational, and active character of the times.

The Xidan Democracy Wall is a new atheist movement. The shock waves of the slogan of human rights have rocked the land of China.

Just as the publication of Ludwig Feuerbach's *The Nature of Christianity* enabled materialism to regain the throne in 19th century Germany, the slogan of human rights and equality has historically ascended the throne in 20th century China toward the end of the 1970's.

The slogan of human rights and equality of Europe and the United States has acquired its modern and improved form in China. This is a success of the people and socialism in China.

The reformed slogan of human rights and equality has played a very suitable complementary role for China's very underdeveloped socialist democracy. This slogan has played an appropriate role in promoting the political, economic, cultural, and diplomatic exchanges and cooperation between China and the advanced industrial nations.

Yes, the lofty goal of the proletariat is the abolition of classes. But slogans must take root in the soil of reality.

Although the landlord and capitalist classes have disappeared in China, the liberation of the proletariat as a class has only begun with the seizure of political power, and the complete liberation of the proletariat is the most important condition for the abolition of classes.

In China, the abolition of classes is still in the distant future, and we had better work for the continued liberation of the proletariat.

The young always follow the reformers. When the god of history forces us to retreat, the slogan of human rights and the slogan of equality are one and the same. When the battle drums of the times urge us to advance, we can only march together with the party of the reformers.

The bourgeois human rights movement starts from and belongs to eternal reason and justice. The proletarian human rights movement makes antifeudalism and antidespotism its goal, while constantly advancing toward and embodying itself in socialism. This is the difference, and the basic stand of the Declaration of Human Rights. The Declaration of Human Rights keeps fighting and remains undefeated, because its ideology keeps fighting and remains undefeated.

The historical contributions of the Declaration of Human Rights are indelible. If the discussion on the criterion of truth, which began in May last year (1978), provided the ideological preparations for the 3d Plenary Session of the 11th CPC Central Committee, then the Democracy Wall movement for emancipation of the mind represented by the Declaration of Human Rights, which began toward the end of the last year, is having a profound impact on future reform and cultural rethinking.

The Declaration of Human Rights, albeit imperfect and brief, has won the hearts of the world with the initial test of its cutting edge and its dazzling brilliance.

The sources of social changes and events can be found only in the depths of economic and political relations. All ignorant criticism, cliches, and slander are equally lamentable.

The Declaration of Human Rights and the legitimate associations around it have formed a new tide led by it, placing itself forever in an invincible position.

When the slogan of human rights and equality is silenced, the time has come for unfair treatment.

We may experience the "high degree of socialist democracy" in prison. But, there is only one conclusion: We should be set free with a verdict of not guilty. This is the will of history and a painful trial and challenge by the people to the political system. We are full of hope while waiting for this day.

Those who are afraid of the people are unable to shoulder the heavy responsibility of historical reforms.

Industrious and courageous but leading a hard life, highly talented but deprived of rights, the Chinese people are holding high the righteous banner of human rights. What crime have they committed?

*December 1979, in the Detention House of the Beijing Municipal Public Security Bureau*

### Shortcomings of Official Title-Oriented System

40050601a Beijing XINHUA WENZHAI [CHINA DIGEST] in Chinese No 5, 25 May 89 pp 10-13

[Article by Hu Zhenmin 5170 2182 3046: "Official Title'-Oriented System Must Be Eliminated"; originally published in ZHONGGUO RENSHI, 1989 Nos 1-4, revised by author prior to reprinting]

[Text] In the wake of political and economic structural reform and the intensification of the socialist commodity economy, the elimination of the "official title"-oriented system, which has long been a part of social and cadre personnel management, is now confronting the party and the entire population. A complex and arduous piece of social systems engineering, this piece of reform covers an extremely extensive area and is closely related to the personal interests of tens of millions of people. To map out a theoretically sound and practically effective reform plan, it is significant that we analyze systematically, comprehensively, and thoroughly the main manifestations of the official title-oriented system, its formation and development, its shortcomings and dangers, and the principles and implementation of reforming the system.

#### A. Origins and Meaning of the Concept of the Official Title-Oriented System

The "official title"-oriented system is not a technical term in common international academic usage. Instead, following the intensification of economic and political structural reform in China in recent years, it was coined by borrowing concepts like the "gold standard" and "silver standard" from the currency system to describe the characteristics of traditional social management and cadre personnel management. There are three aspects to its meaning:

First, all social organizations, whether they are enterprises, institutions, or mass organizations, are ranked according to the administrative levels of party and government bodies (such as provincial departmental level, prefectural bureau level, county office level, and township section level). Party and government management of the economy, politics, culture, and society is all based on this kind of administrative hierarchy, giving rise to many written and unwritten regulations. For instance, financial planning, materials distribution, organizational setup, cadre allocation, managerial jurisdiction, document circulation, participation in meetings,

and the control of social institutional purchasing power are all related to the administrative ranking of a unit. As a result, without its administrative ranking, a unit is powerless in society.

Second, cadres of all types, whether they are leaders or workers in mass organizations or managerial personnel and assorted professionals in enterprises and institutions, are all ranked in accordance with the administrative rank of cadres in party and government bodies. The selection and management by the party and government of all cadres of all types, particularly their political treatment and material rewards in all aspects, are dependent on the cadres' ranks, giving rise to many written and unwritten regulations. As a result, the administrative rank of a cadre in effect becomes the equivalent of a variety of political treatments and material remuneration and the passport to social intercourse.

Third, the administrative rank of a unit and that of its cadres is interrelated and interdependent. The former is often determined by the personal rank of the leader. And since "a rising tide lifts all boats," when the administrative rank of a unit rises, its cadres, big and small, are also promoted. As a result, administrative ranks objectively function as the "sacred standard" for measuring all kinds of social organizations and determining the relationship between those organizations and their members. Society at large too becomes a clearly stratified order.

#### B. The Formation and Development of the Official Title-Oriented System

The official title-oriented system did not begin at the dawn of human society. Instead it is the special product of the highly centralized and unified way in which the state manages the economy, politics, and social culture in times of economic, scientific, and cultural underdevelopment. Feudal society, with its landlord class, rested on a self-sufficient natural economy and bureaucratic politics. The official title-oriented system and its concomitant clearly stratified social order dovetailed with the economic and political base of feudal society. Hence, it developed and matured under feudalism. The capitalist society rests on the commodity economy and the democratic politics of the bourgeoisie. The official title-oriented system and its clearly stratified social order are not compatible with the economic and political base of capitalism. Hence, it was gradually replaced by the commodity economy and the bourgeois democratic political order. From a semicolonial, semifeudal society, China directly became a socialist society, skipping the stage of full-blown capitalism. For a variety of complex reasons, the official title-oriented system has survived and thrived in New China as a means of social management and cadre personnel management.

##### 1. Political and Economic Reasons

Faced with the shambles of "poverty and blankness," foreign imperialist aggression and subversion, and resistance and sabotage by hostile forces at home, consolidating the new people's regime, healing the deep scars of

war, and launching large-scale economic construction became overwhelming top priorities in the early days of liberation and during the period of socialist transformation. In this situation, China copied the Soviet experience and established a highly centralized national political and economic system. The highly centralized political and economic system not only did not change over time, but actually was reinforced through successive political movements. Under this system, enterprises, institutions, and mass organizations became appendages of party and government and were directly controlled by them through administrative methods. The natural outcome is the official title-oriented system, under which these organizations are ranked in accordance with the administrative ranks of party and government bodies and are managed using the uniform methods of running party and government bodies.

## 2. Reasons Having To Do With the Cadre Management System

In the course of establishing and steadily consolidating its highly centralized and unified political and economic systems, China also created and steadily strengthened a cadre management system. Under this cadre management system, the objects of management—workers in party and government bodies, workers in mass organizations, managerial personnel in institutions and enterprises, and assorted professional and technical personnel—are all managed, without exception, as “state cadres” diverse as they are. Managerial powers are excessively centralized. All state cadres are centrally managed, allocated, and deployed by the party committee at the appropriate level. The methods of management are archaic and monotonous. Basically, they are the same methods used to manage party and government cadres. Moreover, here in the PRC it was the party that first came into existence. Then the Army appeared under the command of the party. Only after the Army seized power did the people’s government come into being. After liberation, therefore, the leaders of institutions, enterprises, and mass organizations and large numbers of their managerial personnel were former party, government, or military cadres. The natural outcome is the “administrative official title-oriented” system and “military official title-oriented” system under which these personnel are ranked and managed in accordance with the administrative ranks of party, government, and military cadres. How they are received politically and rewarded materially are also dependent on their position in the ranks. The two official title-oriented systems can also be combined, forming such ranks as the provincial army rank, prefectural division rank, and county regiment rank.

## 3. Reasons Related to the Distribution System

Because of harsh material conditions during the revolutionary war, the revolutionary ranks followed a supply system known as “war communism.” For a long time after liberation, the level of productive forces remained

very low, the commodity economy was extremely backward, and there was a dire shortage of material goods. Under these conditions, the political and material rewards for cadres smacked heavily of the “state guarantee and state management” of the supply system. They were perpetuated as a superior feature of socialism. Naturally, therefore, the supply system and ranking system merged, which means that distribution standards are defined by administrative ranking.

## 4. Social Historical Reasons

China has the longest feudal history behind it and the official title-oriented system has ancient roots. After liberation, elimination of lingering political and ideological influences of feudalism remains unfinished business. Consequently, while the existing official title-oriented system is essentially different from its feudal counterpart, the two are somehow related historically in form and content.

## 5. Ideological Cultural Factors

In the long-lasting feudal society, Confucianism, which was compatible with the feudal economic and political systems, was the reigning culture and ideology. In the 30-odd years since liberation, although Marxism has gradually asserted itself as the paramount ideology, the influence of the ideological and cultural remnants of feudalism still act on public consciousness. This must be described as the ideological and cultural root of the present official title-oriented system.

## C. The Serious Shortcomings and Perniciousness of the Official Title-Oriented System

The current official title-oriented system has played an important role in consolidating the newborn political regime, unifying the nation politically and economically, accomplishing socialist transformation, and launching a large-scale economic construction program. But as the socialist enterprise continued to develop in depth, the serious drawbacks of the official title-oriented system also became more apparent. After political and economic structural reform was under way across the nation, in particular, the inconsistencies and conflicts between the official title-oriented system and the new system, new institutions, and new standards have become increasingly acute by the day. It has developed into a major barrier to the intensification of reform.

### 1. Stifles Competitive Mechanisms and Hinders Development of a Commodity Economy

Under the official title-oriented system, the social and political value of all social organizations and their personnel as well as all their political and economic interests are defined by their officially determined administrative rank. The superior do not come out on top; the inferior are not eliminated. Consequently, competitive mechanisms are stifled and all kinds of social organizations and their personnel are deprived of the pressure and motivation to improve their work and excel. Enterprises and

workers, in particular, are under no pressure to improve operations and management and increase profitability. Nor are they motivated to do so. The upshot is a society lacking the vitality and vigor that it should have.

## **2. Stifles Democratic Mechanisms and Hinders Development of Democratic Politics**

The result of defining everything by administrative rank is a clearly stratified order where the different nature, functions, and characteristics of different types of social organizations and their personnel are eliminated. Under this system, an individual inevitably becomes dependent on a specific political organization. The interests and demands of different social classes, strata, and groups can be articulated only through one political channel. All social conflicts and contradictions can only be resolved politically. As a result, the development of a sense of citizenship and the notions of equality, freedom, legality, and self-determination, not to mention the full development of socialist democratic politics, has been retarded.

## **3. Intensifies the Desire To Be an Official**

Because all social organizations and their personnel are defined by administrative rank, an individual's social status is determined largely by his administrative rank and his personal success is also measured by the norms of administrative ranking. The notion of administrative rank became the highest value and yardstick in society. The seeking of political power became the most profitable shortcut to economic benefits. The inevitable result is the worship and pursuit of power.

## **4. Encourages Organizational Empire-Building and Over-Staffing and Increases the Burden on the National Treasury**

Under the official title-oriented system, all the political treatment and material rewards of all social organizations and their personnel are a function of their administrative ranking. This impels people to go after higher and higher ranks in order to get better treatment. In the process, the number of departments and the size of their staff get out of hand. The result is empire-building, over-staffing, and a rising burden on the national treasury.

## **5. Gives Rise To the Tendency To Regard Officials as Superior to Experts, Which Militates Against the Healthy Development and Appearance in Large Numbers of All Kinds of Qualified Personnel**

Under the official title-oriented system, all kinds of qualified personnel, including experts in all professions, are managed in the same monotonous way as administrative officials. Not only is their political and material treatment inferior to that of administrative officials, but their respective laws of development are also violated, which saps their initiative and hinders their healthy development. Consequently, qualified personnel have been deserting their professions in droves to join officialdom. The ranks of officials swell even as assorted

qualified personnel become a scarce commodity in society both qualitatively and quantitatively.

## **6. Gives Rise To the Keep-Up-With-the-Joneses Phenomenon and Exacerbates Social Conflicts**

Under the official title-oriented system, the political and material rewards of an individual are all determined by his administrative rank. The administrative rank of an individual or unit also differs according to his or its administrative subordination relationship and the administrative department in charge. Unavoidably, there is a keep-up-with-the-Joneses phenomenon between sectors, professions, units, and cadres. On issues like wages and welfare, "workers, peasants, soldiers, merchants, and students all look to the central government."

## **D. Major Principles To Be Followed When Reforming the Official Title-Oriented System**

The official title-oriented system, which determines everything with reference to one's administrative rank, is a key component of the traditional political system and cadre management system. To reform the official title-oriented system, we must consider two questions. One, what should we reform and what direction should reform take? In other words, we must determine the direction of reform. Two, how do we go about reforming and in what way? In other words, we must determine the methods and measures of reform. In considering either question, we should abide by the following major principles:

### **1. The Principles of Decoupling and Classified Management**

Two characteristics epitomize the official title-oriented system: over-centralization of managerial power and monotonous and archaic management methods. To reform the official title-oriented system, therefore, we must begin by reforming the old economic and political systems and social management system. In accordance with the principles set forth by the 13th National Party Congress of "party and government separation, government and enterprise separation, the close integration and reasonable restraint of personnel management and management affairs," we should practice classified management for different kinds of social organizations and their personnel. In other words, we should establish separate, independent management systems, forming a variety of management systems, methods, and standards, each with its own special features, based on the different nature, functions, and characteristics of the social organization concerned and its personnel. Through "decoupling" and "separation," the various social organizations and their personnel will each have their own specific set of duties and functions and find their own special niche. This will be fundamentally different from a system under which one model, one system, one set of standards, and one method, all determined by administrative ranking, prevail.

Two points need to be made here. First, administrative ranking guarantees normal order in the administrative system and is indispensable to the improvement of administrative efficiency. Among workers in party and government bodies, therefore, we cannot and should not completely eliminate administrative ranks. However, as far as social organizations other than party and government bodies and their personnel are concerned, we should no longer continue to define them by administrative ranks. Second, even as we reform the official title-oriented system as a system of cadre management, we should put the reform of the system as a system of social management on the agenda. The failure to do so would create a serious hindrance to the reform of the official title-oriented system as a system of cadre management.

## 2. The Principles of Self-Inspiration and Self-Restraint

A fatal flaw of the official title-oriented system, under which administrative ranking defines everything, is that the political and material interests of all social organizations and their personnel are related to their officially determined rank and are divorced from how well they perform their duties and responsibilities as units or as individuals. As a result, there are neither self-inspiring mechanisms to impel various social organizations and their personnel to improve their work and forge ahead, nor self-restraining mechanisms to prevent them from becoming ever more greedy for political and material benefits. The result is all manner of problems. Thus, if we want to reform the system successfully, we must take effective measures to create such mechanisms as they relate to political and material treatment in social organizations and among their personnel. An effective approach would be to gradually abolish the administrative ranking of enterprises, institutions, and mass organizations and their personnel. Under the guidance of effective overall control by the state and national policies, we should follow the principles of self-management and self-operation and delegate to the institutions, enterprises, and mass organizations the power to determine their internal setup, level of staffing, and personnel structure, and personnel appointments, as well as the power of internal distribution regarding wages, housing, medical services, and transportation. In this way, these organizations can practice self-management in accordance with their own regulations within constitutionally and legally prescribed limits and explore a variety of personnel management and internal distribution models and methods in accordance with the principles of self-management and self-distribution. Only thus can we put an end to the old situation in existence for a long time under which all political and material conditions were controlled and allocated by the state, making it possible for the personal interests of social organizations and their personnel to be closely integrated with the economic and social benefits of the unit to which they belong as well as the individuals' own personal contributions. Instead of fighting for a higher rank, people would then work hard to improve management and to secure better economic and social benefits in earnest as a

way of demanding higher pay and better terms of employment. This would fundamentally put an end to the phenomenon of units "eating from the big rice pot" of the state and individuals doing likewise at the expense of their unit, a situation in which all social organizations and their personnel depend on the state for every political and material reward.

## 3. The Principles of Picking the Right Person for the Job and Distribution According to Work

Under the official title-oriented system, personnel movements and transfers are characterized by the fact that "the rank follows the person," as do all political and material rewards, which are all defined by administrative rank. Hence the three permanents: "job," "status," and "terms of employment," which seriously violate the principles of creating a position to get a job done, picking the right person for the job, and determining one's pay based on the job. Henceforth, after they are transferred to enterprises, institutions, and mass organizations, workers of party and government bodies should no longer have the status of workers of party and government bodies. Nor should they continue to keep their administrative rank and related political and material treatment. Their duties and responsibilities and treatment should be redetermined by the receiving unit based on its own constitution and regulations in accordance with the principles of classified management and "picking the right person for the job." Similarly, when a worker of an enterprise, institution, or mass organization is transferred to another unit, his duties and responsibilities as well as pay and other terms of employment should also be reviewed by the receiving unit in accordance with the same principles. In this way the existing three permanents—"duties," "status," and "terms of employment"—would largely disappear.

Closely related to "picking the right person for the job" is the principle of distribution according to work. When the development level of productive forces is low and material goods are in extremely short supply, the supply system and low-wage system, both characterized by a dependency on administrative ranking in many respects, not only are shockingly and increasingly wasteful, but also spawn prerogatives in all forms and shapes, which sharply dampen the initiative of the masses and hinder the development of productive forces. As a key component of the official title-oriented system, this distribution system grossly violates the principle of distribution according to work and is highly incompatible with the demands of developing a commodity economy. A point has been reached where change is the only way out. To reform the official title-oriented system, therefore, we must begin by commercializing housing and making other changes in accordance with the demands of developing a commodity economy and the principle of distribution according to work and cut down as much as possible on monetary and nonmonetary supplies other than wages from the state that are based on administrative rank. The ultimate goal is the monetarization of the distribution of consumer goods.

#### 4. The Principles of Horizontal Coordination and Comprehensive Balance

As comprehensive reform, especially reform of the internal mechanisms and external environment of enterprises, gets under way, the entire old order, a monolithic structure where uniformity and the "big rice pot," the result of the official title-oriented system, reign to the detriment of the vitality of social development, has been dismantled. The actual treatment of many social organizations, particularly economic organizations and their personnel, is no longer determined, solely or otherwise, by their administrative rank. An unprecedented energy and vitality have appeared in society. At the same time, however, assorted serious imbalances and chaotic conditions have also emerged in the distribution of social income. Among the most striking problems is the substantial imbalance between primary distribution under the market mechanism and redistribution under government allocation mechanisms. Another serious distribution imbalance occurs between different industries and different individuals under the two distribution mechanisms. In the final analysis, these imbalances and confusion can be attributed to the fact that, although the old order created by the official title-oriented system is beginning to crumble, it has not been wiped out completely. Meanwhile, the fledgling order of socialist democratic politics has not yet matured. The resultant so-called "order vacuum" is what causes the imbalances and chaos. The basic solution is to make full use of the overall regulatory and control function of the state, augment horizontal coordination and comprehensive balance between primary distribution and redistribution, and gradually create the control mechanisms and automatic regulatory mechanisms of social distribution so that all kinds of social organizations and their personnel obtain the political and material treatments due them, while at the same time widening the earnings differential by reasonable margins, through honest labor and competition within a framework of overall balance and equal opportunity. The crux of the current problem is this: Our social management has not yet freed itself from the straitjacket of the official title-oriented system, with its uniform administrative methods dependent solely on administrative rank. Its regulatory and control methods lack variety and are often feeble and ineffective. There is an urgent need to examine it closely and improve its effectiveness.

#### 5. The Principle of Comprehensive Coordination and Phased Implementation

The official title-oriented system, under which administrative ranking determines everything, is an important component of the traditional, highly centralized economic and political systems and cadre management system. It is a microcosm of the old order, old system, old ideas, and old standards in the field of administration, management, cadre management, and material

distribution. To turn this situation around fundamentally will involve structural reform in the political and economic systems, including such areas as planning, investment, material supply, finance, cadre management, and income distribution, as well as reform in specific institutions in various industries, professions, and sectors. An extremely complex piece of social systems engineering, it also requires changes in our thinking and value system. Accordingly, we must follow the broad vision of the CPC Central Committee concerning total reform and plan comprehensively. The reform of the old system, institutions, and standards in such areas as administrative management, cadre management, wages, welfare, medical and health services, transportation, housing, retirement, and social insurance, must be thought through in relation to one another. Dismantling the old order of the official title-oriented system throughout society and establishing a new order based on socialist democratic politics and the commodity economy is a historic mission of herculean proportions, not something that can be achieved overnight. Instead it requires a long historical process. For this reason, reforming the official title-oriented system is not a one-shot affair. It must be implemented under good leadership in stages in accordance with a plan.

I believe the reform of the official title-oriented system can proceed in three stages based on the progression of political and economic structural reform:

Stage 1: Gradually alter the relationship of direct subordination between enterprises, scientific research units that can be commercialized, and cultural and artistic performing troupes that can be given decisionmaking authority and assume responsibility for their own profits and losses, and their personnel, on the one hand, and government bodies, on the other. Abolish their administrative ranks. Straighten out and reform all old rules and regulations that are based on administrative rank and are designed to exercise direct management of the three kinds of units mentioned above and their personnel. The aim is to enable them to operate under market distribution mechanisms truly in accordance with the principle of "having their own decisionmaking authority and being held accountable for their own profits and losses."

Stage 2: Find a way to gradually decouple from administrative ranks independent institutional units and mass organizations and their personnel who are either self-financing in part or totally dependent on government appropriations, so that under the guidance of state overall regulation and national policies they would closely integrate their own interests with the economic and social benefits of the unit and operate under the dual mechanisms of primary market distribution and government redistribution in accordance with the principles of self-government, self-inspiration, and self-restraint.

Stage 3: Decouple from administrative ranks institutions affiliated with party and government bodies at all levels. Have them function as independent institutions.



## PROVINCIAL

### Jiangxi Governor's Speech on Economy

OW3009104589 Nanchang JIANGXI RIBAO in  
Chinese 5 Sep 89 pp 1, 2

[Two-part "excerpts" of a speech by Jiangxi Governor Wu Guanzheng at a provincial meeting of prefectural commissioners, city mayors, and county magistrates: "Several Economic Jobs That This Province Must Stress and Do Well at Present"—date and location not specified]

[Text]

#### Part I

Since the beginning of this year, all localities in the province have seriously implemented the policy of improving the economic environment, rectifying the economic order, and deepening reforms. They have made efforts to curb turmoil while developing the economy. They have continued the campaign to increase production and practice economy and to raise revenues and reduce expenditures. They have particularly strived to reap a bumper agricultural harvest. Gratifying achievements have been made. Since June, the whole province has seriously implemented the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and the 8th (Enlarged) Plenary Session of the 8th Jiangxi CPC Committee, even more firmly carried out the party's basic line of "one central task and two basic points," constantly deepened reforms and opened wider to the outside, and made new progress in improving the economic environment and rectifying the economic order. The overall economic development situation in the province is good. Agricultural development is being stepped up, and agricultural production is showing better growth. Industry has maintained a certain growth rate. Market commodity price increases are slowing. Provincial revenues and savings deposits have increased. The rapidly rising trend of consumption has begun to slow. The scale of construction projects has been brought under control, with noticeably fewer newly started projects. Some improvement has been made in the investment pattern.

These achievements have not come easily. They have been made only after overcoming serious floods and other natural disasters and after making up for the losses caused by the turmoil. They are the result of the joint efforts, unity, and hard work of the whole province. In this province, as in China as a whole, there are still many economic difficulties. In addition to a shortage of raw and processed materials and electricity, there are also other major difficulties. For instance, it is hoped that we can fulfill this year's agricultural production plan, but there are great difficulties to overcome. The declining trend of economic efficiency has not yet been checked. There is a shortage of capital funds. It will be a very arduous task to keep this year's price increases noticeably smaller than last year's. The retail market is weak,

some popular goods have become barely marketable or even unsellable, and the contradiction between production and sales is noticeable.

Here, I want to stress several economic tasks that we must do well at present.

Accomplishing this year's economic tasks has a bearing on the comprehensive implementation of the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and on the political and social stability of the province. For this reason, we must take effective measures to overcome difficulties; further implement the policy of improving the economic environment, rectifying the economic order, and deepening reforms; continue to deepen the campaign to increase production and practice economy, raising revenues while reducing expenditures; strictly control the scale of investment in fixed assets; bring the excessive increase in consumption funds under control; strictly control the commodity price increase; try in every possible way to reap a bumper agricultural harvest; make great efforts to readjust the product mix; speed up the turnover of capital funds; further invigorate the market; strive to improve economic efficiency; and fulfill or overfulfill this year's economic tasks.

#### 1. Try in Every Possible Way To Reap a Bumper Agricultural Harvest

Reaping a bumper agricultural harvest is an important way to stabilize the overall situation. All localities should resolutely fulfill the demand for "not wavering in three areas" put forward by the provincial party committee and the provincial government, and should not neglect the guiding principles.

The key to ensuring a good grain harvest lies in paying attention to late rice in double cropping and to autumn grain crops other than wheat and rice. We should pay particular attention to field management, make efforts to increase per unit area yield, and strive to attain the objective of gathering a total grain harvest of 31.5 billion jin this year.

We should pay attention to tending cash crops in their later stages of growth until they are harvested. As the harvesting of cotton, jute, hemp, and oranges will soon begin, it is necessary to gather the harvests carefully, do a good job in purchasing, marketing, storage and processing, and ensure good economic returns. We should work hard to accelerate livestock and aquatic production. In livestock production, we should do a good job in autumn breeding and pay special attention to stabilizing hog production to prevent a drop in production. Active efforts should be made to raise more livestock and poultry that feed on plants and do not consume much grain. We should rush repair the damaged fish ponds and other fish farming facilities. Further efforts should be made to promote feed production and supply and to enlarge the source of feed supply. Epidemic disease prevention should be improved.



While the economic environment is being improved and the economic order being straightened out, rural enterprises should improve and develop themselves while implementing structural readjustment and strive to fulfill the quotas and goals for this year. They must make structural readjustments, deepen reforms, intensify management, and upgrade quality and efficiency in accordance with local conditions.

We must try every possible way to increase the peasants' output and income. All localities must rationally distribute manpower, develop forests, and develop the production of fruit, tea, mulberries, and herbal medicines. We should pay close attention to harvesting minor autumn crops and actively develop household sideline production.

We should continue to exercise effective leadership in combatting natural disasters to ensure a good harvest. Late autumn crops are now growing well, but we must not lower our guard or slacken our attention. We must pay greater attention to predicting and preventing insect pests and plant diseases. It is necessary to send agrotechnicians to provide technical guidance in the countryside. Leadership at all levels should go to the countryside to conduct research and investigation, get a better understanding of the situation, and help solve problems. All trades and professions should provide support and services to agriculture.

## **2. Improve Economic Efficiency and Achieve Industrial Growth**

Vigorous efforts should be made to readjust the product mix and to produce more goods that meet market demands. The provincial people's government recently released a short-term plan for readjusting the product mix in the province. All localities and departments should pay close attention to implementing this in light of their actual conditions. In accordance with the requirements for improving the economic environment and straightening out the economic order, production plans for the dozens of key products designated by the province must be fulfilled in order to increase effective supply. Special policies should be implemented to vigorously increase the production of daily necessities in short supply. Relevant departments should support the production of such daily necessities with coal, electricity, transport services, or funds. Production quotas of those products whose demands have slackened should be readjusted to reflect changes in the market. We should limit the production of products in stock for 6 months or more. We should no longer support the production of slow selling goods as key products.

Greater attention should be paid to coal, electricity, and transportation. Elaborate plans should be drawn up for power generation and supply to ensure steady supply. Beginning in September, the average daily power supply of the Nanchang power grid should not be lower than 1.12 million kw. We should try our best to raise this figure to 1.15 million kw. Continued efforts should be

made to improve power planning and economize on consumption. Power consumption late at night should be kept to no lower than 950,000 kw in order to make more efficient use of the limited power. We should pay close attention to the allocation and transportation of power and coal to ensure adequate supply in the province. As for coal and power shortages outside the province, we should step up transportation to help ease the shortages. While meeting the quantity quotas, we must stress quality and prevent adulteration. It is hoped that railway departments, which have made great contributions to coal transportation, will overcome difficulties and strive to overfulfill by 500,000 metric tons the annual coal transport quota of 8.3 million metric tons.

Promoting production in large and medium enterprises is of vital importance. We must devote great attention to this. This year, the growth rate of the province's industrial enterprises has been rather slow and economic returns have not been very good. In the first half of 1989, the total output of the 1,236 industrial enterprises operating under the provincial budget rose by 5.9 percent; their profits and revenue rose by 9.9 percent. The total output of the 91 enterprises with an annual profit and revenue of 5 million yuan each rose a mere 4.3 percent; their profits and revenue rose a mere 4.4 percent. These 91 enterprises, which account for more than 50 percent of all the output, profits, and revenues of the industrial enterprises operating under the provincial budget, are a decisive force in the province's economic development. We should do everything possible to create better external conditions for the development of these enterprises and bring into full play their key role in economic development.

We should further improve enterprise management and operations. Efforts should be concentrated on improving product quality, lowering material consumption, stopping deficits and increasing profits, and accelerating the circulation of funds. In strictly controlling quality, we should introduce a system of rejecting products with substandard quality, thereby improving product quality. It is necessary to work out production plans strictly according to technical procedures and reduce excessive consumption of electricity, coal, and raw and semifinished materials through applying new technology.

In order to build strength for future economic development, it is necessary to speed up the construction of key projects, providing them with funds, material supply, and manpower. We should ensure that the construction of Guixi Chemical Fertilizer Plant and Wanan Power Station are completed on time. It is also necessary to accelerate the second stage of construction of Jiujiang Power Plant, the research projects on acrylic silk fibers and other raw and semifinished materials, and the construction of the Nanchang - Jiujiang Highway and other postal and transportation facilities. Technical transformation projects for this year should be completed and put into operation as soon as possible. Those that have already been completed should meet the targeted production goals so as to build Jiangxi's economic strength.

### 3. Strictly Control Commodity Price Rises; Further Promote Market Prosperity

In controlling price rises in the next 4 months, we will encounter the following major problems: Some local governments, departments, and units have not yet achieved unity in understanding the target of a "conspicuous drop" in prices. Contradictions caused by irrational prices in economic life over the years—that is, factors that can trigger price rises—have not been eliminated. The supply and demand situation has changed since the end of March, and the sales of Jiangxi manufactured goods for daily use, which were once brisk, have stagnated, causing a drop in the market of provincially produced goods. Such a trend in the market situation has dampened production and adversely affect financial revenues. We should strive to stop the trend, otherwise it will affect the economy as a whole.

We should continue to strictly control price rises. The goal of achieving a conspicuous drop in price rises and the demand for strictly controlling commodity prices, which are still in force, should be regarded as an overriding task for the current economic work and be carried out at each level. Governments at all levels should strengthen leadership, while every department should fulfill its responsibilities, with principal leaders personally attending to this task. In the remaining 4 months of this year, aside from the state's policy decisions to hike prices, the provincial government will not approve any price rises, nor will it adopt any economic measure that will considerably affect the overall index of retail commodity prices, thereby stamping out any factor for price rises. We should do everything possible to stabilize prices of vegetables and other nonstaple foodstuffs, manufactured goods for daily use, and the means of agricultural production. Leaders of local governments, departments, and enterprises who disregard the overall interests and violate discipline by hiking prices without authorization shall be duly investigated for responsibility. All-out efforts should be made to improve commodity circulation, resolutely implement the decision of the party Central Committee and the State Council on furthering the work of screening and rectifying companies, and grasp this work firmly, earnestly, and to the finish. Particular attention should be paid to screening and rectifying wholesale enterprises and enterprises doing both wholesale and retail business. Units doing wholesale business on major means of production and daily necessities should be strictly limited in number and put under state control. It is necessary to manage well and invigorate trade fairs in both cities and countryside and to establish a price inspection and control system for them. We should strengthen price control and improve the market order. It is also necessary to strictly enforce law and discipline in dealing with prices and continue to improve price inspection. The general price inspection for this year should be conducted earlier than usual. The State Council decided to raise passenger fares nationwide on trains, ships, and civil air transport, beginning 5 September. All localities and departments must firmly comply with the State Council's plans and requirements,

do meticulous organizational and propaganda work, and formulate necessary emergency measures to guard against local market fluctuation that may be induced by the hike of transportation costs. It is strictly prohibited to take opportunities to raise prices. Violators should be dealt with severely.

Great efforts should be made to enliven the circulation of commodities, open up new markets, and increase the sales of products made in the province. We should strengthen the cooperative relations between industry and commerce and between industry and trade so that they will coordinate with, support, and benefit each other. We should make every effort to bring about a conspicuous rise in purchase, sales, and the export of products made in our province. For commercial units operating in cooperation with the state, the volume of business of industrial products made in the province should account for at least 40 percent of their total business volume. In addition, it is necessary to use flexible and diverse methods to organize a sales promotion force and to make every effort to market our products, so as to use sales to promote the purchase of raw materials and spur on production.

We should achieve real success in the procurement of farm and sideline products and do a good job with regard to the reserve and supply of funds for developing agriculture. We should make every effort to ensure the fulfillment of this year's procurement quotas for grain and cotton. At present, we should try in all conceivable ways to solve the difficulties with regard to grain procurement funds and grain storage and see to it that there is no such practice as using promissory notes instead of cash payment in grain procurement. Low price materials to be supplied in connection with the procurement of grain should be made available as promised so that the people will trust what we say. In addition, proper arrangements should be made in all localities for the procurement of autumn grain, cotton, jute, armbarry, citrus fruits, sugarcane, tobacco, and other farm and sideline products required in large quantities. State-owned commercial units as well as supply and marketing cooperatives should view the rural market as a significant place. On the one hand, they should send industrial products to rural markets so as to provide peasants with the required industrial products and other commodities produced in the province. On the other hand, we should make a success of the procurement of farm and sideline products.

We should ensure plentiful supply of daily necessities and strive to stabilize Jiangxi's urban and rural markets and its people's livelihood. Above all, we should provide enough meat, vegetables, and other nonstaple foodstuffs for the people. It is necessary to properly arrange the production, procurement, and marketing of hogs and storing of pork in accordance with the market demands this winter and next spring. Sufficient good vegetables must be planted and tended so as to ensure supply in the market. In order to alleviate the shortage of vegetables and stop rising vegetable prices in the county capitals,

counties and cities should set up their own vegetable production bases. This year, prices of pork in large and medium cities and industrial and mining areas should be stabilized at the level of those in July, and prices of ordinary vegetables should be kept at the same level of, or markedly below, that of the same period last year. We should ensure the supply of manufactured goods for daily use during different seasons. As the Mid-Autumn Festival and the 40th national founding anniversary are drawing near, we should see to it that there will be a plentiful supply of goods to enable the masses to enjoy comfortable holidays.

#### **4. Strive To Increase Revenues and Reduce Expenditures; Use Funds Flexibly and Effectively**

In view of the current financial difficulties, we should launch the double increase and double economy campaign, improve economic efficiency, strengthen collection and management of tax revenues, and strictly control expenditures so as to get out of the predicament. Governments at all levels should strive to fulfill this year's plan and targeted increase for industrial and commercial taxes. Efforts should be concentrated on improving tax collection from individually owned businesses in urban and rural areas. All local governments should strive to fulfill the tax collection quotas set by the provincial government. It is necessary to strictly control tax reductions and exemptions, and no additional reductions and exemptions should be granted. Efforts should be made to severely crack down on tax evasion, refusal to pay tax, and other illegal acts. We should pay close attention to revenues derived from special projects and ensure that the target of selling value insured bonds is fulfilled. It is necessary to strictly control expenditures. Except for price subsidies, all expenditures should be reduced by 5 percent over the budget set at the beginning of this year. Administrative expenses, self-raised funds for capital construction, and expenditures needed for tapping potential and carrying out technical innovation and transformation should be controlled within the limits of the provincial government. Institutional purchases should be reduced by 20 percent over those made last year. It is necessary to reinforce financial and economic discipline, and funds obtained through illegal channels should all be turned over to the treasury. In enforcing the principle of striving to balance revenues and expenditures, we should never approve a deficit budget. From now on, we should not set a precedent for decreasing revenues and increasing expenditures. Where collection of revenues fails to meet the target, efforts should be made to reduce expenditures. No arrangements should be made this year for spending the funds derived from overfulfilling the state revenue task and other plans. It is necessary to strictly control and conserve expenditures. Special efforts should be made to guard against excessive issuance of yearend bonuses in cash or in kind, and to live a few years of austerity.

In the next few months, the state will speed up the withdrawal of money from circulation. Hence, it will be difficult to ease the shortage of funds in Jiangxi. A

fundamental way to solve this problem is to go all out to tap the potential of funds through increasing savings deposits and improving the structure of loans. We should strive to expand the channels for saving deposits and increase this year's total deposits by more than 2 billion yuan. It is necessary to improve the structure and control the scale of loans in accordance with the principle of ensuring funds for key projects while reducing loans for ordinary projects. We should conduct a general inventory of warehouses and retrench funds used for finished products so as to reduce the irrational use of funds. It is necessary to pay particular attention to retrenching funds used for finished products. We should improve the management of cash and take the initiative to straighten out delinquent funds so as to stop unauthorized circulation of funds as quickly as possible.

#### **5. It Is Necessary To Adhere to Reform and Opening to the Outside World and Deepen the Transformation of Enterprises, Especially Large and Medium-Sized Enterprises**

In the past 10 years, reform and opening to the outside world have achieved great results and promoted economic development and the improvement of people's living conditions. We must continue to firmly implement the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee and wholly and correctly carry out the party's basic line of concentrating our work on promoting economic construction and adhering to the four cardinal principles and reform and the open policy. Measures adopted by the provincial party committee and the provincial people's government for carrying out reform and the open policy and invigorating the economy should be continued and deepened so long as they are conducive to developing the productive forces and do not run counter to the guidelines of the party Central Committee. We should continue to improve and develop various enterprises' contract responsibility system. In particular, we should find ways and means to invigorate large and medium enterprises, grasp the work of open bidding for contracts, and create good conditions for large and medium enterprises in their competition with others on equal footing. We should continue to promote and improve the form and method of linking the total wages of an enterprise with its profits, tax, labor productivity and rate of decrease in the consumption of raw materials. We should continue to implement and improve the system of having the plant director assume full responsibility. The important task now is to straighten up the leadership of various enterprises. The party organization of an enterprise is the political center at the basic level. Its central task is to lead and carry out political and ideological work. The party organization of an enterprise should support the plant director in performing duties in accordance with the law. The plant director should do a good job in carrying out ideological and political work by linking it with production and operation and actively improve material conditions for building spiritual civilization. The plant director and the secretary of the party organization should take the whole

situation into consideration; respect, coordinate, and support each other; and wholeheartedly rely on the working class in running their enterprise well. We should continue to promote lateral economic cooperation with various regions and departments and promote the merging of enterprises. We should develop enterprise groups in a planned way and promote reasonable utilization of resources.

While grasping the reform of enterprises, we should strive to grasp the work of opening to the outside world. We should make great efforts to promote exports and increase the accumulation of foreign exchange. The production, procurement, and distribution of items for export should be done in the same way as implementing a mandatory plan. We should improve operations and management, reduce costs in earning foreign exchange, and insure the fulfillment of the annual export plan. We should continue to adopt various ways to absorb foreign investment and give prominence to absorbing capital from Hong Kong, Macao and Taiwan. Regarding established contracts, we must seriously implement them. We should also continue to improve the investment environment. We should effectively develop the existing joint ventures, cooperative ventures and wholly foreign-owned enterprises so as to expand their influence. We should seriously sum up the experience of reform in the southern Jiangxi experimental reform area and the 18 counties with expanded authority, continue to run well various preferential areas and development zones, promote border trade with other provinces, and constantly expand the scope of this province's opening to the outside world.

In order to do a good job in improving the economic environment and rectifying the economic order, we should formulate a 3-year plan including the current year and understand the tasks and specific goals of improving the economic environment and rectifying the economic order. Next year will be the second year in improving the economic environment and rectifying the economic order, so we must immediately make preparations for carrying out the task. We must formulate plans, prepare raw materials and spare parts, inspect and repair equipment and facilities, make arrangements for linking production and marketing, and obtain necessary funds at an earlier date.

While grasping the above tasks, governments at various levels should persist in grasping the building of both spiritual and material civilizations, do a good job in carrying out ideological and political work, educate the people with the basic thinking of adhering to "one center and two basic points," and link ideological and political work with our economic work, administrative work, and management. We should continue to carry forward the spirit of hard struggle and of building the country and doing everything through thrift and hard work, attach great importance to building an honest government, and solve various problems including unfair distribution in

society, social security, family planning, land administration, environmental protection, rebuilding of hazardous buildings of various middle and primary schools, and job placement for workers. We should follow the decisions and arrangements of the State Council, the provincial party committee and the provincial people's government for building an honest government, persevere in carrying out our tasks to the end, and refrain from doing things perfunctorily in order to make even greater achievements.

## Part II

Since the provincial meeting of prefectural commissioners, city mayors, and magistrates was held in July 1988, we have vigorously waged total warfare in agricultural development across the province and achieved initial victory. During last winter and spring, our province's winter planting acreage reached 25 million mu, an increase of 3 million mu from the previous year. Jiangxi also afforested 4.25 million mu, removed 150 million cubic meters of earth and stone to build winter water conservation projects, and transformed 2.66 million mu of medium and low yield farmland, thus improving conditions for agricultural production and sharpening the ability to resist natural disasters. Jiangxi is building agricultural development bases and commodity bases on a large scale. The construction of the red soil development projects and Nanchang City's freshwater fish farming is progressing smoothly. Jiujiang's 2,799 projects, as well as agricultural development projects in central and southern Jiangxi, 6 marketable grain bases, the improvement of 10 lakes in Jiujiang, agricultural credit loans, the use of foreign capital in forestry, and comprehensive agricultural development in Jihu are all under construction successfully. As for the forthcoming winter and spring agricultural development, the provincial government has held many meetings on specialized trades, and preparations have been made in all places. In order to advance agricultural development in a deeper way and more extensively, we must lose no time in further mobilizing people in the whole province and be determined to engage in the coming winter and spring agricultural production as the second battle in the warfare in agricultural development. Our specific goals are:

1. We must make great efforts to transform low yield farmland and orchards. We must transform 2 million mu of low yield farmland, 80,000 mu of orchards, 100,000 mu of tea plantations, 10,000 mu of mulberry fields, and 260,000 mu of low yield fish ponds.
2. We must continue to expand winter planting acreage and increase the multiple crop index. This winter, Jiangxi will plant green manure on 15.5 million mu, rape on 6.5 million mu, barley and wheat on 1.5 million mu, and broad beans and peas on 1 million mu.
3. We must afforest barren hills. In accordance with the goal of artificial afforestation on 30 million mu within 7 years and making the province basically green by the end of this century, we will afforest 4.1 million mu during the

coming winter and spring and increase orchard acreage by 200,000 mu, tea plantation acreage by 60,000 mu and mulberry fields by 30,000 mu. It is necessary to speed up the construction of the cocoon and mulberry project.

4. We must build irrigation works and expand acreage which guarantees a stable yield despite drought or excessive rain. During the forthcoming winter and spring, it is necessary to remove 149 million cubic meters of earth and stone, increase irrigated acreage by 150,000 mu, and increase acreage which guarantees a stable yield despite drought or excessive rain by 200,000 mu.

5. We must develop the production of raw materials for light industry. We must make preparations for planting cotton on 1.2 million mu, sugarcane on 650,000 mu, jute and ambari hemp on 150,000 mu, and tobacco leaves on 500,000 mu next year.

6. We must make full use of surface resources and develop 150,000 mu of large surfaces. We must seriously complete the goose and duck project and strive to increase the total number of geese and ducks across the province to 100 million within the coming 4 years.

7. We must develop 50,000 mu of winter pastoral farms to speed up the development of herbivorous livestock and poultry.

8. We must make great efforts to store farm manure. It is necessary to store 1.5 billion dan of farm manure.

9. We must build bases for good seeds, breeding stock, and seedlings.

10. High quality farm and sideline products must also increase by a large margin compared with last year. It is necessary to regard the development of new products and projects as an important task and to integrate it with the development of sources of export goods which can earn foreign exchange, so as to build food, forest and fruit, breeding, rural enterprise, and other basic industries.

It is necessary for every locality to define its own specific objectives on the basis of a unified arrangement for the province and in light of its own conditions. Efforts must be concentrated on the major tasks of expanding the cultivated area of rape, afforestation, building water conservation facilities, doing a good job in maintenance of these facilities, and working successfully to sow and harvest green manure and farmyard manure during this winter and next spring. As for rape, we must see to the implementation of the plan for expanding its cultivated area as well as the measures for boosting its output. We must work vigorously to plant more brassica [gan lan 3927 5695] rape, spread the advanced techniques for cultivating and transplanting seedlings and transplantation on hard fields [ban tian 2647 3944], and increase per unit yield. With regard to greening our environment, we must pay equal attention to planting more trees wherever possible and closing

hillsides to livestock grazing and fuel gathering to facilitate afforestation. While making continued efforts to properly afforest mountainous areas, we must also focus on hilly land and integrate our efforts in these areas with the efforts to make the villages and roads green. We must also address the problem of soil erosion. Every locality must suit measures to its own conditions, and encourage people to plant more hydrophyte pine trees on hilly land and European and American [ou mei 2962 5019] poplar trees on hollow areas along river banks and lakesides. In areas where soil erosion is serious, it is necessary to improve irrigation and grow grass, make the soil firm and improve its quality, and then develop orchards. Every locality is urged to carry out its plans for putting the labor force and funds to good use and cultivating seedlings. We must continue to do a good job in the construction of flood prevention projects and reinforcement of dams to eliminate any possibility of harm. We must build a new batch of backbone irrigation works in a planned way. We must pay attention to building support facilities for water conservation facilities for the newly developed agricultural projects and make vigorous efforts to develop medium and small hydropower stations. Collecting as much farm manure as possible is a very important measure for promoting an increase in agricultural production. It is necessary for every locality to mobilize and organize the masses to dig more ponds, clean up their pig sties and cattle pens, and send manure and garbage from urban to rural areas.

In order to achieve success in the second phase of our tasks, every locality is urged to properly handle tasks in the following areas:

#### **Further Enhancing People's Awareness About Succeeding in the Total Warfare of Promoting Agricultural Development Throughout the Province**

To reinvigorate Jiangxi's economy, we must make vigorous efforts to tap and take full advantage of the abundant agricultural resources, take the road of industrializing agriculture, and build the mansion of Jiangxi's economy on the foundation of agriculture. To be specific, we will have to greatly increase the output of agriculture, forestry, animal husbandry, and fishery products and improve their quality, as well as increase the commodity rate through the development of agriculture. We must strive to develop series processing and intensive processing of various kinds of farm and sideline products. We must develop the food, textile, garment, and wood and bamboo industries with Jiangxi characteristics. We must develop chemical, farm machinery, fodder, packaging, and communications and transportation industries that will support and facilitate the production, processing, and transportation of agricultural products, so as to gradually promote the process of industrialization and form the main structure of the industrial system. We must expand trade as well as economic and technical cooperation with other regions in China and foreign countries to introduce funds, technology, and qualified personnel into Jiangxi, enhance the production scale and level of all the major

industries, and promote the industrialization of agriculture. These are measures which aim at further readjusting the structure of agriculture, industry, and social economy in our province. They are necessary for bringing about rational distribution and arrangement of resources, stabilizing economic development, improving macroeconomic benefits and results, and increasing financial revenue in our province. It is necessary for us to employ the strategic thinking of "industrialization of agriculture" to guide the implementation of the total warfare in promoting agricultural development. At present, given the conditions in our province, we must consider the laying of the foundation for industrializing agriculture as our main objective. We must consolidate and expand the achievements that have been scored so far from the commencement of the total warfare unfolded since last winter and this spring, strive to make new progress both in breadth and in depth, and take a new step forward on the way to industrialization of agriculture. This has very important significance for working successfully in the campaign to improve economic environment and rectify economic order, increasing effective supply, endeavoring to get an agricultural bumper harvest next year and facilitate a sustained development of agriculture, and promoting sound development of the national economy. It is incumbent on the whole province to turn this awareness into conscientious action.

#### **Arousing and Organizing the Masses More Extensively and Intensively**

Judging from the agricultural development situation since last autumn and winter, we can see that the state-run and collective institutions as well as large specialized households have taken the lead in development. They have set up many bases equipped with initial facilities for promoting further development and played an exemplary role. How to further arouse thousands of households to dedicate themselves to the total warfare in promoting agricultural development is a task to which due importance must be attached and which must be done well. In order to arouse the masses more extensively, every locality must do meticulous organizational work item by item, raise specific requirements for each and every township, village, and household, and focus on earnestly carrying out the following three links in line with the annual requirements mapped out by the plan for comprehensive agricultural development. First, wide publicity must be given to mobilize the masses. All kinds of propaganda and public opinion tools must be fully utilized to keep giving wide publicity to the important significance of working successfully in waging the total warfare in promoting agricultural development. In particular, in light of the actual conditions of peasant households, the method of working out accounts and contrasting one thing with another must be employed to make it clearly understood that agricultural development is an important means for the masses to get rich through industriousness and thrift. It is necessary to publicize various policies of the party for rural areas as well as the

progress made in promoting agricultural development and advanced examples so as to boost the morale of the masses and their confidence. In short, it is necessary to step up publicity on the necessity of agricultural development and mobilization of the masses on all sides, give full play to the traditional favorable political situation in rural work, and create a powerful ideological driving force. Second, it is necessary for us to fully rely on the role of organizations at the village level, strengthen it, and turn it to good account. This is an organizational guarantee for promoting economic development in the rural areas. We must speed up economic development at the village level, stress the need to assign the task of promoting development to every village which will be considered a unit, draw up unified plans for development projects, organize the labor force, and formulate specific measures for unified management, maintenance, and distribution of profits and interest. We must integrate the efforts in arousing the masses to take part in development with those in promoting economic development at the village level. We must increase the economic strength of village-level organizations in the course of agricultural development. Third, we must make vigorous efforts to explore and spread effective methods of organization which will facilitate participation by thousands of households in development. In this respect, every locality has already explored and acquired many experiences, such as implementing the system of encouraging the masses to become shareholders by contributing their "three wasteland areas" of labor, techniques, and funds; establishing and running forestry centers, orchards, and aquatic products breeding centers; taking the road of striving for development through joint efforts and cooperating with partners in business operations; and distributing dividends pro rata to the percentage of shares owned. The village (organization) will be responsible for unified planning for development projects in the "three wasteland areas," unified supply of seeds and seedlings, unified management and maintenance, and unified capital construction in regard to water pipes and electric cables, and implementation of the system under which "households are divided in their responsibility for planting seedlings and taking care of them and enjoy benefits based on their share of responsibility" or the system under which they will make joint efforts to promote development, contract undertakings for business operations, and divide the dividends among the masses pro rata to the percentage of shares owned. These are good methods for arousing the masses to take part in development. Moreover, they are good methods for guiding scattered development projects to concentrated development projects which are comparatively larger. As such, they are worthy of our encouragement and promotion. We can also consider setting up small pilot villages for promoting the production of agriculture, forestry, animal husbandry, and fishery on a trial basis in the counties surrounding Boyang Hu Lake. They may use lakes and river branches to breed fish, plant European and American poplar trees on grassy sandbars, and develop orchards and economic crops alternately on hill slopes. They may make up for the deficiency of one

locality with the sufficiency of another to fulfill the objective of comprehensive development. The development may be undertaken by an individual, several households, or scores of households jointly. The point here is to cause an appropriate scale of businesses to be set up as quickly as possible. Every locality should feel free to consider and weigh this proposal.

It is necessary to further stabilize and improve policies for promoting development. The provincial party committee and the provincial government have formulated a series of policies for promoting economic development. We should continue to implement them as long as they do not violate central authorities' guidelines.

At present, we should also emphasize the following points: 1) It is necessary to continue to develop various forms of the contracted managerial responsibility system. We should continue to stabilize the established operational forms such as operations by the state, by collectives, or by individuals at various levels, and should not change them hastily. We should further relax the control over the right to management and use barren hills, wasteland, and unused water areas. In order to promote the development of uncultivated land resources, we should completely decontrol the rights to their management and use, and permit their transfer, lease, and exchange as well as their use for profit-making purposes in partnership business operations, provided they remain public-owned. We should impose forceful administrative intervention on those who have obtained the right to management and use of barren hills, wasteland, or unused water areas for a long time but who have not yet started the land development. We should ask them to start the development within a prescribed time, lease the land, swap one barren hill for another barren hill, or swap a barren hill for a piece of wasteland. We may also revoke their rights and contract the land out to other contractors. 2) We should uphold the principle of benefit to the developers, correctly handle the distribution of proceeds, and fully arouse the developers' enthusiasm. In partnership operations, it is necessary to determine a rational proportion of earnings among those who have become partners by contributing land, labor, funds, or technology. For a joint development project shared by the state and peasant households, or shared by a collective and peasant households, the proportion of earnings for peasant households should not be set too low, so as to prevent the peasants from losing interest in the joint development project. 3) Developers of new agricultural and sideline products should be allowed to sell the new products freely and be exempt from state purchase quotas, so that they can make more profits, enhance their self-accumulation and self-development ability, and accelerate agricultural development.

It is necessary to increase investment of various forms in agricultural development. Agricultural development requires a large amount of investment. We will be unable to accumulate sufficient development funds if we do not have firm determination, a spirit of self-reliance, and the fine tradition of diligence and thrift. At present, a

shortage of funds is the biggest problem in areas undertaking agricultural development. In order to solve the problem, the first thing for governments at various levels to do is to raise agricultural development funds through various channels as the State Council has instructed this year, and to appropriate them to rural areas as soon as possible to provide timely support to autumn and winter development tasks. It is necessary to widen the sources of agricultural development funds and strive to attract investors from other localities and from all sectors of the society. For instance, we may encourage factories to set up raw and processed materials bases in rural areas, and encourage rural collectives to invest in agricultural development. All these are effective ways. We should increase investment of labor, take the road of substituting labor for funds, and, under a unified plan, encourage the masses to invest their labor and let them share earnings according to their investment.

It is necessary to resolutely protect the developers' legitimate rights and interests. In organizing agricultural development, we should pay great attention to clearly defining the titles of property, and prevent the developers' legitimate rights and interests from being violated because of unclear titles for property. We should resolutely protect the contracts signed and the ownership of forests and water areas legally obtained under the output related system of contracted responsibilities, under the "three point" forestry policy [the policy of stabilizing the right to use of hilly land and the ownership of forests, setting aside private plots of hilly land, and establishing the system of responsibility for forestry production], or in the course of agricultural development in recent years. Under no circumstances should they be violated at will. Before any barren hills, wasteland, or unused water areas are developed, relevant contracts or agreements must be signed and legally notarized. Unclear property titles and inadequate contracts and agreements signed in the past must be redressed as soon as possible. In settling any disputes over property titles in agricultural development, we should pay attention to protecting the developers' reasonable interests. It is necessary to adopt administrative, economic, and legal measures to punish those who infringe upon developers' legitimate rights and interests. During the forthcoming winter and spring, departments concerned in all localities must grasp typical cases of rushing to seize or steal mountain forests, fruits in orchards, or fish in ponds, or cases of extorting money from developers. All these have a very bad influence, so a special struggle should be waged. Those who should be penalized must be penalized; those who should be fined must be fined; and those who should serve a sentence must serve a sentence. This can form a general mood of acting in accordance with laws in the vast rural area. It is necessary to strengthen ideological-political work, to formulate and perfect rural regulations which can help agricultural development proceed normally, and to educate peasants so they can restrain and manage themselves, observe the law, work hard to become rich, and conscientiously follow the new order of agricultural development.



We must rely on progress in science and technology and develop service trades well. In line with the demand set by the total warfare in local agricultural development, departments concerned in all localities must promote the popularization of agricultural techniques. It is necessary to integrate this with the bumper harvest plan, the spark program, the prairie fire program, and the plan to shake off poverty, and to offer technical services in an organized manner and with a purpose. It is necessary to develop agriculture by relying on science and technology. It is necessary to continue to implement the policy of giving preferential treatment to scientists and technicians who volunteer to do contract work in science and technology on the forefront of agriculture. It is necessary to mobilize all departments and all trades to offer good service before, during, and after production, promote the integration of production, processing, and marketing of farm and sideline products, and set up and improve all socialized service systems. Departments of agriculture, science and technology, water conservation, farm machinery, commerce, supply and marketing, grain, foreign trade, and finance must actively offer services to peasants in terms of funds, technology, good seeds, information, storage and transport, and purchase and marketing. It is also necessary to bring the active role of service organizations run jointly by rural specialized households and ordinary households into full play. It is particularly necessary to substantially support specialized cooperatives or associations which are organized with certain farm and sideline products as their leading products, by using producers of special products or similar products as the principal parts and with circulation, technology, processing, materials, and other services as the means. It is necessary to finely process and finish farm and sideline products so as to repeatedly increase quality.

We must conscientiously strengthen leadership over agricultural development. After this meeting, leaders at all levels must rapidly turn the plans drawn at this meeting into concrete action. On the one hand, in accordance with the goal of agricultural development and the experience acquired in the past several years, we must speed up revising or drawing up plans for agricultural development and strengthen overall guidance; on the other hand, leaders at all levels must go deep into the realities of life, personally grasp typical cases, set someone as a pacesetter, acquire experience, and use the experience of selected units to promote work in the entire area. It is also necessary to mobilize personnel in all leading organizations to personally engage in agricultural development. Comrades of all leading organizations must take part in voluntary labor and actively join the total warfare in agricultural development with the people of Jiangxi. After we work hard for one or two generations, our lovely Jiangxi will become prosperous, with its mountains covered with green trees and its river water flowing pollution free.

This meeting is an important one which implements the guidelines of the 4th Plenary Session of the 13th CPC

Central Committee. If we can reach a consensus, heighten our revolutionary spirit, keep forging ahead, work hard, and do our work well in a down-to-earth way, we will certainly fulfill and overfulfill all economic tasks for this year.

### **Shaanxi Meeting Stresses Price Control**

*HK3009064789 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 30 Sep 89*

[Text] An urgent report meeting of city mayors and prefectural commissioners, convened by the provincial government, has stressed that it is essential to unify thinking, summon up resolve, and do everything possible to get a good grasp of controlling prices during the last 3 months of the year. During the meeting, reports were delivered on the price problem and measures were proposed for further controlling prices.

Vice Governor Xu Shanlin gave specific views on further controlling prices. He pointed out that it is necessary to further solve problems of understanding among the leadership at all levels and the leaders of all departments. We must bring everyone's understanding into line with the idea that controlling prices is the cardinal task in this year's economic work and with the idea that all reforms and construction must be subordinate to and serve the overall effort of stabilizing prices. We must also work hard to increase effective supply. Only thus can we fundamentally resolve the problems.

Xu Shanlin said that the large- and medium-sized cities must be determined to firmly control prices. This particularly applies to cities such as Xian. We must summon up great determination to straighten out companies, the wholesale trade, and the markets. We must also do a good job in the major inspection of prices.

Governor Hou Zongbin pointed out at the meeting that we must subjectively examine our previous work on the price issue, and make subjective efforts in the future. In previous months we failed to get a good grasp of price work and our measures were not effective enough. We must get a really good grasp of this work in the remaining months of the year.

Hou Zongbin said that there have been three main weak links in our work this year: controlling prices, screening companies, and investigating and dealing with major and important cases. These are three issues of most concern to the masses and are also the main issues in improvement and rectification work. The climate for tackling these three issues is good now. The leadership at all levels must be resolved to produce results.

Yu Ming, vice chairman of the provincial People's Congress Standing Committee, attended the meeting and listened to the reports from the cities and prefectures.



## FOREIGN TRADE, INVESTMENT

### Measures for Dealing With U.S. Antidumping Law

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[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 7-8, 30 Aug 89 pp 68-73

[Article by Wang Zhuilin 3769 6620 2651 and Zhang Bingxu 1728 4426 2485: "Key Problems Posed by the U.S. Antidumping Law and a Study of Countermeasures"]

[Text] Antidumping laws are one of the important problems in present-day international economic relations and trade, and also a thorny problem that China is frequently confronted with in its foreign trade.

Antidumping legislation is not of long standing, as it is only since the beginning of this century that such laws have been adopted by several countries. Their purpose was originally to fend off unfair trade practices and to eliminate unfair price differentials to prevent harm to one's own industry. However, following World War II, antidumping legislation was widely used to restrict imports, and it rapidly developed into a powerful means of trade protection and into a large obstacle to international trade.

The United States has been one of the most frequent users in the world of an antidumping law, and it is safe to say that not one country having trade relations with the United States has not suffered the restraining effect of that law.<sup>1</sup> Studying the U.S. antidumping legislation is therefore very meaningful as it is a representative example of this type of legislation. The present article intends to pursue the discussion along the lines of core problems posed by the U.S. antidumping law and will explore what preventative measures and countermeasures China may adopt.

#### I. Core Problems in the U.S. Antidumping Law

According to the provisions of the U.S. antidumping law, the sale of a foreign product in the U.S. market at less than "fair value," and thereby causing or threatening to cause "material injury" to a relevant branch of U.S. industry is to be regarded as dumping. We see from this formulation that the determination of what is "fair value" and "material injury" constitutes the core question in the U.S. antidumping law.

##### A. Determination of Fair Value

The way fair value is determined is one of the focal points in deciding what constitutes dumping. Because according to the provisions of the U.S. antidumping law, only the U.S. Department of Commerce can decide what imported product may be sold at less than fair value, otherwise a dumping tax will be imposed on the product.

An analysis and study of the rules and practices of the U.S. Department of Commerce will easily reveal that the so-called fair value is established through an assessment of the

price in the foreign market of the commodity in question. In other words, the U.S. Department of Commerce compares the price in the U.S. market with the price of the said commodity in the foreign market. If the former is less than the latter, it assumes the existence of dumping. By doing so, the Department of Commerce in effect regards the price in the foreign market as fair. But then, what is the price in the foreign market? The U.S. antidumping law prescribes three methods to determine fair value, and in the course of its investigation and hearing of a case, the Department of Commerce may successively determine fair value of a commodity under dispute, with due regard for the specific circumstances of the case, by selecting one of these methods.

First, its domestic market price. Normally, the U.S. Department of Commerce will regard domestic market prices (prices for sale in large lots) of export commodities as fair value. However, if this method is used to determine fair value of a commodity under dispute, it must be first of all established that domestic sales volume of the said product is sufficient to allow a comparison with the sales volume intended in the U.S. market. For instance, if the domestic market is too small or the sales volume there too limited, so that these data will not provide satisfactory material for a determination of the product's domestic market price, the domestic price cannot be adduced as criterion for a determination of its fair value.

Second, its price in a third country. In case domestic prices cannot be ascertained, it is permissible, according to the rules of the Department of Commerce, to regard the sales price of the products in question in a third country as fair value. Selection of a third country must conform to the following criteria: Apart from the fact that exports of the commodity under dispute to the said third country must be of sufficient quantity to allow a comparison with U.S. conditions, the commodity under dispute as sold in the said third country must also be the same or very similar to the commodity under dispute that is to be sold in the United States; the said third country must be the largest market, apart from the domestic and the U.S. market, for the commodity under dispute; the developmental level and market structure of the said third country must be very similar to conditions in the United States.

Third, a constructed price. This would be a price computed on the basis of production and marketing costs of the commodity under dispute. The constructed price (also called "composite price") comprises the following components: production costs, general expenses incurred in regular business operations, interests, packing expenses, warehousing expenses, and any other expenses in getting the commodity ready for shipment to the United States.

##### B. Determining "Material Injury"

As already mentioned, dumping is always assumed if a comparison of U.S. market prices and the fair prices in foreign markets shows that the former are lower than the latter. However, even if the Department of Commerce in

the end determines that the said commodity is sold in the United States below fair value, it only constitutes dumping in a general sense, and the said commodity is not immediately subject to dumping tax. To constitute dumping in the legal sense, it must still fulfill another condition, namely that this sale below fair value inflicts "material injury" on the relevant branch of U.S. industry, or that the threat exists that "material injury" will be caused, or that it will obstruct the establishment of a new industry in the United States.

The determination of "material injury" is a matter which the U.S. International Trade Commission will examine and decide, at the same time that the Department of Commerce will examine and decide whether the said product is being dumped in the United States. According to the rules of the International Trade Commission, determination whether "material injury" will be caused to U.S. industry must first of all determine the exact industry and the scope of the investigation, which generally means, to determine that the product is produced by an U.S. industry that manufactures products which in all respects are the same as the commodity in dispute. If it is by an industry that does not produce the same kind of product as the product in dispute, then an industry that manufactures a product that is very similar, in both characteristics and usages, to the commodity in dispute must be selected. The scope of the investigation must comprise the whole range of domestic U.S. production of that line of product, or at least those domestic manufacturers who produce the major proportion of the total domestic production of the said type of product.

When determining the "material injury," the International Trade Commission must also give consideration to the following three factors: volume of imports of the commodity under dispute; impact of the importation of the goods under dispute on the price of similar type of U.S.-produced goods; impact of importation of the goods under dispute on U.S. factories producing similar types of goods. In concrete terms, this comprises: actual and potential effect of the importation of the goods under dispute on U.S. factories producing similar products, in respect of volume of production, marketing, market share, interests, production capacity, return on investments, and utilization rate of equipment; actual and potential effect of the importation of the goods under dispute on U.S. factories producing similar products, in respect of the flow of funds, movable property, employment, wages, enlarged reproduction, and investments.

In short, the so-called material injury is an extremely abstract concept. The U.S. Trade Agreement Law of 1979 bases on the formulation of GATT [General Agreement on Tariffs and Trade], and when mentioning the term "material injury," it summarizes it as "a harm that is not inconsequential, immaterial, or unimportant." Obviously, this definition is extremely vague and gives the U.S. International Trade Commission a very considerable measure of discretion in deciding whether an imported commodity causes material injury.

### *C. "Special Provisions" Applicable to Non-Market Economy Countries*

In the actual execution of antidumping measures, there are important differences between market-economy countries and non-market-economy countries, and the most important difference is in the determination of fair value. The above-mentioned methods of determining fair value apply mainly to market-economy countries, while in antidumping proceedings involving non-market-economy countries, the United States applies a set of "special provisions." These "special provisions" constitute a supplement of utmost importance to the core content of the U.S. antidumping law.

#### 1. Legal Basis for the "Special Provisions"

In Appendix 9 of the GATT it is pointed out in reference to the definition in Article 6 Section 1: "For commodities imported from countries where trade is a state monopoly, or from countries in which the state fixes all domestic prices...it is not always suitable to use the domestic prices of these countries for strict comparisons." It is this provision that serves the Western developed countries as legal basis in their antidumping legislation to prescribe special provisions dealing with commodities from so-called non-market-economy countries. Thus, the United States has adopted this principle in differentiating between market-economy countries and non-market-economy countries in the provisions of its antidumping legislation.

The U.S. antidumping law considers production and exports of non-market-economy countries to be to a very large extent controlled by the governments of these countries. Their commodity prices are not at all closely related to production costs, also not determined by the law of supply and demand of a market economy, but are fixed administratively by the government, therefore not factually true. Moreover, raw materials, energy, wages, and similar elements in the non-market-economy countries are also restricted by plan norms, which distorts the production costs of enterprises, so that their prices cannot reflect the structure of their production cost. In view of all these facts, it stands to reason that the domestic prices of goods in non-market-economy countries cannot serve as basis for a comparison with sales prices in the U.S. market, thus cannot serve as basis for a determination of fair value, and that is why it was necessary to formulate special provisions.

#### 2. Main Content of the "Special Provisions"

How to determine fair value for goods coming from so-called non-market-economy countries? In its special provisions, the U.S. Antidumping Law establishes a "surrogate country" system. According to this system, fair value for these goods may be determined in the following manner:

First, the Department of Commerce may select a market-economy country which has a similarly developed

economy to serve as surrogate country for the non-market-economy country in question. The domestic market price of similar goods produced in the surrogate country may then serve as basis for comparison of sales price of goods produced by the non-market-economy country in question, and may thereby determine the extent of dumping that might be involved in the case of this particular product. If production of the same or similar products makes up only a very small proportion of the domestic market in the surrogate country, the export price of the said product to a third country may be regarded as its fair value. In the 10 or more cases of alleged dumping by China, the countries of India, Brazil, Indonesia, Sri Lanka, and the Philippines had been selected as surrogate countries.

Second, if the Department of Commerce cannot select a surrogate country, or if the selected country does not produce similar products, or if the surrogate country or its producers refuse to provide relevant data relating to their production and marketing, a method of "constructed prices" may be adopted to determine fair value. This method consists of two steps: First, the Department of Commerce carefully studies the production process of the product involved in the non-market-economy country concerned to determine the costs of producing the product in question, such as its raw materials, labor expenses, marketing and administrative expenses, and its profit margin. Second, the Department of Commerce will effect certain adjustments, taking as basis the assessed costs of the mentioned factors in a market-economy country of a similar economic development as the country in question, and will in this way finally compute the "constructed price" for the said non-market-economy country as criterion for the determination of fair value. Obviously, this method still involves the problem of selecting the right surrogate country.

It must be pointed out that the new provisions of the U.S. Comprehensive Trade and Competition Law of 1988 (hereafter "Comprehensive Trade Law") will change the method of mainly adopting domestic and export sales prices of surrogate countries as criteria for determination, as mainly prescribed in the U.S. Trade Law of 1974, in the matter of determining fair value of goods exported by non-market-economy countries. In their stead, preference will be given to the use of the method of constructed prices (key elements of production). It means that fair value will be composed of the key production elements used in producing the product under investigation, which include labor, raw materials, energy, and any other expenses for equipment, depreciation, and so on.<sup>2</sup> These key elements of production must still be assessed according to prices prevailing in market-economy countries of equal economic development.

Third, if the above-stated two methods will not yield a fair value, the rules of the Department of Commerce will allow, as a final option, an appropriate adjustment according to data on expenditure for the same or similar

products in U.S. production, so as to compute constructed prices, as criteria for determining fair value; this method is called "U.S. pricing."

The special provisions applying to non-market-economy countries in the U.S. Antidumping Law contain much that is irrational and discriminatory. They seriously harm the interests of the non-market-economy countries in their export trade to the United States. As a result, they place the products of non-market-economy countries in a highly unfavorable position in all antidumping proceedings.

## II. Precautions and Countermeasures Against the Antidumping Law

During the 10 years of reform and opening up, China's foreign trade has made considerable progress. However, in the present international economic climate, when a stage has been reached of economic slow-down in the major countries of the Western economy, a new trade protectionism has gradually arisen with intensified force. For this reason, a continuous string of cases has occurred in China's export trade to the United States, where U.S. authorities have utilized their antidumping legislation to impede the importation of Chinese commodities. Since 1983, dumping was charged by the United States in the case of 19 items of Chinese products. As seen in the decisions in the great majority of these cases, the outcome of the proceedings has been unfavorable for China. Among items involved, potassium permanganate, canned mushrooms, printed cotton-terylene cloth, dishcloth, tungsten sand and tungsten products, and cast iron, were all declared subject to U.S. dumping tax, and such products as brushes and candles were also mandatory in being precluded from the U.S. market. The above-mentioned antidumping cases involved millions upon millions of dollars of foreign trade, and have resulted in China suffering huge economic losses.

The U.S. Antidumping Law constitutes by now a big obstacle that affects China's export trade to the United States, and this makes it necessary to carefully study it and to adopt various precautions and countermeasures to respond to the antidumping problem in a rational, favorable, moderate, and effective manner, so as to prevent further harm to China's export trade, and to protect the interests of our country and of our enterprises.

### A. The "Surrogate Country" Problem

To resolve the problem of China's exports to the United States being accused of dumping, it is necessary to first resolve the problem of the so-called surrogate country, i.e., the question whether China should be counted as a non-market-economy country. In actual practice, China has all along been treated as a non-market-economy country. On the one hand, it was to be governed by the general principles of the U.S. Antidumping Law and also by its special provisions. On the other hand, China was also subjected to the restrictions of a system that was

devised particularly against communist countries. In all antidumping proceedings involving Chinese products, China has always tried to prove the existence of a market economy in China, but China's domestic market prices have never been taken into consideration in the determination of fair value. This has been the case even for commodities, such as candles, bristle brushes, and menthol, where the Chinese government does not exercise effective and direct control over their production and marketing, and where prices are to a considerable extent determined by negotiations between buyers and sellers and by market quotations. However, the U.S. Department of Commerce still refuses in its quibbling ways to accept China's domestic market prices as basis for determining fair value.<sup>3</sup>

The system of "surrogate countries" completely ignores the comparative cost advantage in non-market-economy countries, and makes it impossible for the non-market-economy countries to predict whether their products will be accused of dumping. Because the ways in which the surrogate countries are selected, and the ways adjustments will be effected due to differences in industrial conditions, marketing conditions, and differences created by the degree of economic development, are all determined to a very large extent by uncertain factor and subjective factors. For instance, during the dumping proceedings concerning Chinese steel nails and various steel pipes, the U.S. Department of Commerce adduced Argentina and South Korea—countries much more industrialized than China—as surrogate countries to determine the fair value of China's steel nails and various steel pipes.<sup>4</sup> This is a case of much subjective assumptions and actually opens a large convenient door for discrimination against non-market-economy countries.

Moreover, if it happens, when using the method of "surrogate countries" to determine fair value, that the selected surrogate country or its manufacturers refuse to provide production and marketing data, or that they provide false data to mislead the competition, this method will in every case seriously harm the interests of the non-market-economy countries. In actual fact, even if the surrogate country and its manufacturers are willing to sincerely cooperate, there is also possibly no way to assemble and sort out in a short time the data required for so extremely widespread a scope and in the great detail required. Under these conditions, the method of constructed prices may be used to compute fair value, with the result that these prices will be much higher than the domestic prices in the non-market-economy countries. This method was, for instance, used by the U.S. Department of Commerce in antidumping proceedings concerning China's exports of cast iron and porcelain-insulated steel tools.

An appropriate resolution of the "surrogate country" problem will depend on a variety of factors, in particular on efforts on both sides. First, as far as China is concerned, since opening to the outside world and invigorating the domestic economy was established as the

country's fundamental policy at the 3d Plenary Session of the 11th CPC Central Committee in 1978, China has carried out a series of economic structural reforms, as, for instance, instituting the output-related contractual responsibility system, allowing a variety of forms of enterprises, trials of the shareholding system, of the leasing system, and so forth; especially as the initial reform of the pricing system has begun a shift of the former seriously distorted pricing system toward a more rational system. The former ossified state of prices being unifiedly fixed by the state has been abolished, and a variety of pricing forms have been introduced, such as prices uniformly fixed by the state, floating prices, and free prices. Prices for agricultural products have essentially been decontrolled. Prices for small commodities among industrial consumer goods have been decontrolled. A double track system is in effect for prices of capital goods, and, furthermore, markets begin gradually to appear and take shape for capital funds, labor, and commodities and raw materials. The further deepening of China's political and economic structural reforms is bound to promote the increase of the market element. This trend is initially laying the foundation for the replacement of the "surrogate country" method by the method of using true domestic market prices in the computation of fair value.

Second, both China and the United States must use various ways to intensify "dialogue," and on the basis of equality and mutual benefit appropriately resolve the problems of protectionism and discrimination in trade, and press for an early resolution of the "surrogate country" problem. In actual fact, it is absolutely possible to regard China as a market-economy country. In recent antidumping proceedings concerning importation of Chinese candles, the U.S. Department of Commerce mentioned that the sustained impact of the free market on China's economy may allow the Department of Commerce to change China's status of non-market-economy country in future antidumping investigations. On official and private occasions, officials of the U.S. Department of Commerce have hinted that under appropriate circumstances they do not rule out the possibility of applying to Chinese products the methods of analyzing particular economic sectors. That means, they will examine to what extent respective single economic sectors of China are controlled and subject to intervention by the state, when they will determine whether to use China's domestic market prices to compute fair value.<sup>6</sup> For this reason, China's foreign trade corporations, export enterprises, and others should strongly argue their point on the basis of reason and take positive action in the case of those industries and products for which the Chinese Government has already relaxed economic control, firmly insist that true domestic market prices be used to replace the methods used by the "surrogate country" in computing fair value.

#### *B. The "Price War" Question*

If we objectively analyze the reasons for complaints in the United States against China's export products, we

will discover that "price war" is one of the major reasons. The structural reform of foreign trade and the downward delegation of management powers have brought about a sharp increase in China's export channels. Add to this the relaxation of macroeconomic controls by government departments, and we find that the foreign trade corporations and export enterprises, in order to accomplish their export and foreign exchange earning plans, engage in overlapping and speculative business operations without regard for profit or loss, competing with one another and cutting prices. This form of internal strife, a "price war," did not only seriously damage China's macroeconomic effectiveness but also disturbed the regular international trade order, and it also provided a handle for the United States in its antidumping proceedings. For instance, in 1979, China exported only 120 metric tons of canned mushrooms, which made up 0.24 percent of the value of all canned mushroom imports by the United States during that year. By 1981, China's shipments had increased to 13,005 metric tons, which accounted for 28.9 percent of the total value of all U.S. imports of this commodity. In 2 years the net export volume had increased 108 times, while the export unit price had declined from an average of \$0.67 to \$0.47, and as a result, China was accused of violating the antidumping law. According to another report, a certain Chinese textile company, a certain handicraft articles company, and a certain animal products company, all were handling the sale of dishcloth. They competed with each other and cut prices, until finally the dishcloth was offered at 8 or 9 cents a piece, which made the United States impose an antidumping tax of 38.8 percent. Similar chaotic conditions exist in China's export trade to other countries and territories.

The above-mentioned conditions clearly show that due to deficiency in China's foreign trade system and management, an insufficient understanding on the part of foreign trade companies and export enterprises of the international market, and their irresponsible "price wars" are factors that have led to much too low a price for many products, thereby providing some parties with a convenient handle in antidumping proceedings. It is therefore necessary that government departments intensify macrocontrol of the export trade, that they strictly mend defects within the next few years, and that they unswervingly, on the basis of having everybody "responsible for his own profits and losses," decontrol business operations, establish, perfect, and fully bring into play the role of chambers of commerce for import and export trade in respect of coordinating prices and trade volume. At the same time, foreign trade corporations and export enterprises must greatly intensify their research of international markets, so as to be able to set rational prices, and to avoid unnecessary loss of export profits, also to avoid the troublesome involvement in antidumping suits.

### *C. The Question of "Active Response"*

Generally speaking, after antidumping proceeding has started, and during the hearings and investigations of the

case, it is possible for the exporting country being sued to have an active influence on the ruling if the exporting country energetically adopts measures on his own accord, provides promptly abundant material in evidence, closely watches the trend of investigations and hearings, and uses all legal facilities to argue his case on the basis of reason. This is what I tentatively call it a "positive response." In the opposite cases, if the exporting country being sued ignores the proceedings and allows matters to drift, that, no doubt, is a "negative response." China's practical experiences have proven this point. In the past, when accused by foreign businessmen in antidumping proceedings, China's foreign trade corporations were in the habit of waiting, looking on passively, procrastinating, or pinning their hopes on a resolution of their problem by some negotiations between the two governments. This way of handling the situation is totally unsuitable. We must on our own accord launch the attack, take the initiative, and use all legal means to protect and ensure China's export trade interests.

Every foreign trade corporation and every domestic enterprise that manufacture export goods must regularly and systematically gather and preserve relevant export product data obtained from the international market, each concerning its own sphere of trade, such as changes in the supply and demand relation, changes in product prices, in production techniques, in quality, and in the volume available abroad of similar products. The data should also include the proportions and distribution of the products in the international market, who the main international competitors are, and whether the product has potential to expand, the unique characteristics of the technique used and the quality of the product manufactured by the domestic enterprises, any disparity in quality as compared with similar products produced abroad, changes in production costs, the income differential by the export producing enterprise between domestic market and the international market. In the process of gathering data, one must also pay attention to gather data from the surrogate country normally selected by the capitalist country that accuses China of dumping. The above could mainly be undertaken by the commercial information departments, institutes (sections or offices) established in the various departments.

Long-term and systemic gathering of relevant data will be helpful not only for us to open even broader international markets and to allow timely action to adjust our export marketing policy, but also to avoid as much as possible foreign antidumping proceedings against us. Gathering pertinent information can also help us gain the initiative in antidumping proceedings, enabling us to make a "positive response," thus avoiding unnecessary losses. In several antidumping proceedings in which China came out victorious, the most important experience was that full and effective data could be promptly presented as basis for China's retorts and arguments. First, prompt presentation of full and effective proof can have a certain influence on the choice of the surrogate

country. Although according to the provisions of the U.S. Antidumping Law, the Department of Commerce enjoys a certain freedom of decision in its determination of the surrogate country, fully substantiated suggestions by China's foreign trade corporations and export enterprises as to which country would be most suitable will certainly be an important factor in influencing the Department of Commerce in its selection. An extremely decisive reason why China was successful in the "dumping" proceedings concerning Chinese menthol sold to the United States was, we may say, that the Chinese side exerted great effort to have selected Paraguay instead of Brazil as surrogate country in South America. In the opposite case, one of the important reasons why China suffered defeat in the proceedings about printed dacron fabric was that we could not get Pakistan but had to have Thailand as our "surrogate country."<sup>7</sup>

Second, prompt presentation of full and effective material as proof can also influence the decision of the International Trade Commission. In the process of that commission's findings whether the sale of the commodities in question cause "material injury" to a similar branch of U.S. industry, China's foreign trade corporations and export enterprises must present material in proof of the following types to bring about an appropriate resolution of the case: First, the scope of the investigation on the said industry must be broadened as much as possible, because the broader the area of investigation, the smaller the impact would be on the imported product, and the more difficult it would be to establish that there is a condition of "material injury." Second, to prove that there is no causality relationship between the "material injury" suffered by the related industry of the opponent and the importation of the Chinese products. In fact, China can say that that "injury" was caused by factors on the opponent's part, such as ineffective enterprise management, strikes, inflationary prices in raw materials, and so on. For instance, in the "dumping" proceedings concerning Chinese menthol, the head office of the China Native and Animal Products Export Corporation presented actual material that successfully proved that the injury suffered by the U.S. industry was not at all due to the importation of Chinese menthol, but was brought about by wrong assessments on the part of the U.S. firms on their menthol supply and demand situation and on the international market price trend of the menthol product. Third, to prove that the increased share of the market taken up by China's export product depresses the market share that had been taken up by the export products of another country, and that this does not impinge on the markets of the opponent's industry.

During investigations and hearings of antidumping proceedings, China's foreign trade corporations and export enterprises must also actively link up with the importing merchants (customers abroad), to engage specialized lawyers on the spot and to jointly counter the antidumping charges, because the foreign importer has a direct interest in victory or defeat in such proceedings.

The importer, furthermore, will generally have broad social connections and convenient working conditions at the location in question, and will be familiar with the production, supply, and sale of the domestic products, as he will also be well informed of the importation of similar products from third countries. He will be able to provide background material relevant to the case and will be able to find witnesses and material proof which may be unavailable to us. Moreover, the local specialized lawyer will be familiar with trade and legal regulations of the country in question, and will know of past precedents to the case in question. This will be extremely beneficial for the analysis of cases and the selection of different countermeasures to cope with different circumstances.

Finally, during investigations and hearings of antidumping cases, if circumstances indicate that chances of victory are minimal, it may be still possible to actively seek other remedial measures to achieve a mutual compromise or mutual concessions with the plaintiff, and it may then be possible to take the initiative in urging the plaintiff to withdraw his complaint, or to take the initiative in cooperating with the organization in charge to reach a certain agreement on eliminating any dumping and any cause of harm. The organization in charge may be able, in conformity with the so-called public interest and with effective control and supervision, to suspend further examinations and hearings in the antidumping proceedings. This method of dealing with the situation may, under certain conditions, be also beneficial for our side.

#### Footnotes

1. *Selection of Import and Export Cases*, by Qian Yiming [6929 4135 2494] Vol 3, p 15.
2. DUIWAI JINGMAO YANJIU [STUDY OF FOREIGN ECONOMIC RELATIONS AND TRADE], No 40 (1988) p 3.
3. "The U.S. Antidumping Law and Sino-U.S. Trade," by Wang Guiguo [3769 6311 0948], JINGJI YU FALU [ECONOMICS AND LAW], No 8 (1987).
4. GUOWAI FAXUE [JURISPRUDENCE ABROAD], No 5 (1987), p 21.
5. Ibid.
6. Ibid.
7. DUIWAI JINGMAO YANJIU, No 31 (1982).

**New Approach to Improved Investment Climate**  
40060729b Beijing GUOJI SHANGBAO in Chinese  
26 Aug 89 p 3

[Article by Wang Jiquan 3769 4949 0356: "From Competition To Improve Terms to Competition To Improve Climate: A Discussion of the Approach China Should Take To Improve Her Investment Climate"]

[Text] On the question of how we should improve China's foreign investment climate, many comrades continue to stress tax incentives and, even in this era of control and consolidation, still hope that the state and localities will be able to open the door again and wider and thus have neglected comprehensive improvement of the investment climate.

It should be admitted that, for a time, tax incentives did play a big role in attracting foreign investment. However, constant flux in the world economy alters the efficacy of such incentives. As the board chairman of the Western European Headquarters of the International Wool Secretariat puts it, 350 trade barriers will be eliminated and free trade inaugurated when the EC establishes a unified market in 1992, and when that happens China's clothing and textile exports to Western Europe will no longer be able to compete solely on the basis of price. He raised the following three suggestions on how to expand exports to Western Europe:

1. Continue improvement in supply service capability in the region.
2. Improve product quality.
3. Be attentive to the requirements of specific subregions.

Ever since China opened up to the outside world, governments at all levels have drawn up a succession of income tax abatement schemes. According to statistics from the State Administration of Taxation, the actual income tax rates for production enterprises established in open coastal cities were 7.2-7.9 percent during the 5 years and 15.6-17.2 percent in the decade prior to this year.

In Nanjing, for example, the vast majority of the 53 joint-equity ventures established from 1984 to the end of last year were production-oriented and thus received appropriate preferences. Computed in terms of the average annual profits of the firms that have gone into production, the actual income tax rate for during past 4 years was 7.6 percent.

This tax policy is very favorable indeed. Yet what troubles foreign businessmen about our tax policy for foreigners is not insufficient concessions but the following:

1. Many administrative levels are involved. Some regions frequently provide "more concessions" than provided in state tax law, to which foreigners respond: "Since you can beckon us in, who can guarantee that you won't one day wave us off." It now appears that such concern is not unwarranted.
2. Laws are not strictly enforced. Some state policies, though on the books for years, have not been carried out in certain localities and, even when implemented, are effected haphazardly; and problems foreign businessmen urgently need resolved get ignored and go unremedied. Under such conditions, rather than putting effort into

drawing up new rules and regulations, it would be better to hunker down and fully implement existing state preferential policies, for this approach would be more effective.

Income tax abatements are a basic approach employed by developing countries to attract foreign investment. But do such incentives appeal to investors? The answer varies.

China has already signed agreements to prevent double taxation with 22 countries and has drafted or is negotiating such agreements with 10 other nations.

The Chinese government stipulates: "Income tax paid by a joint venture or its branches in other countries may be credited against the assessed income tax of the head office as a foreign tax credit" (The Income Tax Law of the PRC Governing Joint Ventures Employing Chinese and Foreign Capital). In accordance with the agreements, joint ventures based in countries signing the agreements are eligible for the credit. Simply put, this means that the tax is paid once, not twice, in the country of residence, not the country in which the investment is made. So if foreign firms have already been rendered eligible for the credit by their own governments [through the act of signing of double tax avoidance agreements with China], the firms stand to lose that credit if the Chinese government grants them tax abatements. Thus our tax incentives do not benefit the firms very much, and such concessions alone do not provide the firms with sufficient incentive to invest in China.

In our dealings with other countries, we have discovered that tax preferences constitute but one way to attract investment. What concerns most foreign investors in China is the stability and continuity of our policies as well as availability of transport, communications, water, electricity, producer goods and materials; administrative efficiency; and the like. In some localities, infrastructure is poor, and communications, especially, are backward: "Fingers swollen from dialing local calls and bones wearied from waiting for long-distance calls to get through" irk foreign businessmen.

Comrade Ye Longfei [0673 7893 5777], Shanghai deputy secretary general and a responsible member of the Shanghai Foreign Investment Work Commission stated at the recently convened Symposium on Cities in the Pacific Region that the current trend in the effort to attract foreign investment is changing away from competition to extend favorable terms toward competition to create good investment climates. Years of experience has shown that, in improving the policy environment, tax incentives, on which we previously relied, are no longer effective.

Because the economies and productive structures of developing countries are converging, the laws and preferential treatment the countries, with few exceptions, employ to encourage foreign investment have become very similar. Everyone is reducing income tax rates, and the differences in concessions granted are gradually



narrowing. Foreign businessmen increasingly are basing their siting selections on the administrative systems, experience, and efficiency and the urban infrastructures of the host countries.

Thus, to attract more foreign investment, we must shift our focus from tax incentives to investment climate improvement, such as improvement of our administrative system, infrastructures, joint venture management, administrative work methods, and so on.

Since opening up in 1984, Dalian has conscientiously implemented state policy on foreign relations and unstintingly effected comprehensive development of its investment environment, in terms of both policy and infrastructure.

First, the city has concentrated human, material, and financial resources on a number of key infrastructural projects, which began to yield benefits in 1988, so that international investors' demands concerning civil aviation, transport, port facilities, communications, housing, energy, and the like have basically been met. Second, for two straight years the city has stressed improvement of its investment climate, established local laws, regulations, and policies; set up the External Economic and Technological Cooperation Center; become a true window to the outside world; simplified approval procedures; and initiated efforts to improve administrative efficiency and service throughout the city.

Third, to provide proper service to enterprises funded with foreign investment, the city has set up a special Production Coordination Team for Foreign-Financed Enterprises and graduated improved markets for the means of production, personnel, capital, information, and other things foreign investors need.

These preliminary steps toward the development of a good investment climate have enabled Dalian to win notable success in attracting foreign investment. In 1988, the city approved the establishment of 127 joint-equity ventures, exceeding the total of 11 set up in the previous 4 years combined. We could profit by drawing some inspiration from the Dalian experience.

### Examination of Issues in Export Agency System

40060729a Beijing GUOJI SHANGBAO in Chinese  
26 Aug 89 p 3

[Article by Peng Kean 1756 0344 1344: "A Reexamination of Export Agency"]

[Text] China is a developing country, and encouraging exports and increasing foreign exchange earnings form the basic starting point of our policy of opening up to the outside world.

Nevertheless, with the planned market economy still undeveloped, our market and price systems need to be

improved and completed, pricing remains "double-tracked," competition is unfair, and the economic environment and order are targeted for control and consolidation. Thus, we must use state regulation to resolve concrete problems in export agency and create "leeway" for both industry and foreign trade, especially for producer enterprises. The GDR and the Soviet Union possess much experience in "integrating industry and trade" and in encouraging exports on which we might draw. In view of actual conditions prevailing in China, the following five problems must be clarified and resolved.

### I. Prices

Domestic prices are the key to and have a direct bearing on export costs and international economic competition. The transformation of China's price mechanism remains incomplete, so the state cannot relax and abandon price control.

The "gap" between the costs of Chinese exports and international market prices is manifested primarily in the fact that domestic prices are higher than international prices for processed products, a situation that is most inimical to our export competition. Full resolution of this state of affairs awaits advances in economic restructuring and improvement in enterprise productivity. Nevertheless, domestic price "distortion" cannot be eliminated overnight, yet implementation of the export agent system cannot be delayed. Two interim measures may be employed to resolve this contradiction.

The first is to have the state formulate "base prices" for goods exported through agents, making these base prices the production cost for exports and thus providing enterprises with preferential treatment. The advantages of this measure are, first, that it would enable the state to reward advanced units and spur laggard units and, second, that the measure would prevent "cutthroat underpricing and letting profit go abroad."

The second measure is to have the state effect planned allocation of raw materials to enterprises producing for export. Without this approach, enterprises would be responsible for their own profits and losses; with it, we can prevent units from exploiting unusual circumstances to reap huge profits. These interim measures would be readjusted as economic restructuring advances and production develops.

### II. Tax Rebates for Exports

The reason why the state, at the present stage, rebates indirect taxes imposed on goods sold abroad is to reduce to some extent international-domestic price discrepancies. Another aim of the program is to eliminate a past bias of looking down on exports, which stems from the fact that our processed and manufactured exports generally are taxed twice—it makes sense to rebate one tax while retaining the other. The rebate will help enhance international competition and improve our export line. When export agency is instituted, responsibility for



export profits and losses will be turned over to producer enterprises, which should receive rebates to offset their export production costs.

### III. Bank Credit Funds

Banks are one of the three principal economic regulatory institutions in China and play two regulatory functions in market economy development: one is the scale and the other the structure. The Bank of China, a specialized bank for foreign exchange, is responsible for managing China's opening to the outside world and its foreign exchange and credit operations. To implement the agency system on a broad basis, to encourage exports, and to dispel the anxieties and difficulties of producer enterprises, I suggest that Bank of China create a "special credit account for exports in transit" for producer enterprises whose goods are exported through export agents. When exports leave Chinese port, the bank would issue a "credit" loan based on export agency contracts and copies of the various documents presented by the export agents of the foreign trade companies. The loan and interest would be deducted from the amount received through export foreign exchange settlement. The advantages of this approach are as follows. —Producer enterprises would have a secure source of funds and thus have their anxieties relieved. Bank institutions would be involved in circulation, be on top of information, and monitor and control expenditures abroad. —The approach would increase the degree of understanding by the producer enterprises on export cost accounting. —Banks would have the basis to control and adjust the investments.

### IV. How Foreign Exchange Contract Base Figures Are Apportioned

Beginning in 1988, the State Council approved the task of setting foreign exchange earnings quotas and the implementation of contracts integrated both centrally and locally and within the producer enterprises. The producer enterprises exporting through agents are to subcontract a portion of the contract quotas assumed by foreign trade companies, so industry and trade both will assume responsibility for fulfilling foreign exchange earning targets (contract base figures). Producer enterprises bear responsibility for remitting their quotas of foreign exchange to central and local governments. The government and financial departments in the producer enterprise's locale will show solicitude for and help the firm resolve problems. Foreign exchange is to be distributed according to the following principle: First, remittances are to be delivered to the state, then localities and enterprises may retain their respective shares. When the producer enterprises complete the foreign exchange above their quota, besides having the privilege of retaining a share of their contract earnings, they are also entitled to the share by the reverse 2:8 ratio established by the state for the above-mentioned quota earnings. When producer enterprises fail to earn enough foreign exchange to fulfill their quotas, they must come up with funds to purchase foreign exchange so as to pay off the

quota shortfall. Producer enterprises are authorized to use and distribute their share of foreign exchange. In accordance with state regulation, this share is to be treated as aftertax profits and may be used to defray employee benefits and bonuses.

### V. Formulate an Incentive System for Export Agency

Upon implementing export agency, producer enterprises should be eligible for state-approved export incentives. We should draw on foreign experience and have foreign trade companies draw up "reward and penalty systems for external sales personnel." This approach would give such personnel a greater sense of responsibility, as well as incentive, in foreign affairs work. After signing agency contracts with foreign trade companies, producer enterprises may, depending on how the agency work is proceeding, allocate bonuses from export profits in order to reward merit in foreign trade work.

### CEIEC To Expand Electronics Trade

HK0210001689 Beijing CHINA DAILY in English  
2 Oct 89 p 2

[By staff reporter Zhang Yuan]

[Text] China's major trader of electronics products is poised for an ambitious expansion programme, aimed at increasing its exports by an annual 15 per cent over the next few years, CHINA DAILY has learned.

To achieve this goal, the China National Electronics Import and Export Corporation (CEIEC), whose total import and export volume reached \$900 million last year, has devised a three-pronged plan.

The scheme calls for CEIEC to launch a nationwide conglomerate for exports, the exploration of new overseas markets, and readjusting the products for export.

Ouyang Zhongmo, CEIEC's president, told CHINA DAILY that he plans to set up a group of closely related, export-oriented enterprises and to find new markets abroad.

The export group, whose establishment is waiting approval, is expected to be made up of enterprises from the economically more advanced areas of eastern, southern and southwestern China, he said.

The group would bolster the Beijing-based CEIEC's export ability because each member company has its own export products and overseas markets.

CEIEC, which already has four subsidiary and 29 branch companies throughout China, is now a major electronics importer and exporter in China.

To promote foreign trade, it has set up representative offices in Hong Kong, New York, Frankfurt and Bangkok.

The corporation will stress opening West European and North American markets as well as expanding exports to the Soviet Union and Eastern Europe.

At present, CEIEC mainly exports its products to Hong Kong, Macao and Southeast Asia, the president said.

Some products, such as colour television sets, have already entered Western Europe.

Electronic products are among the most popular imports from China in the Soviet Union and some East European countries, and the market is expected to expand substantially there. But for now, imports of Chinese electronic exports to these countries are limited by the form of trade—barter, he said.

Given the present technical level and production capacity of the country's electronic industry, the president said, consumer products such as television sets and audio equipment will remain the key export items and the corporation will aim for the middle and low-grade levels of the international electronics products market.

"We'll expand the output of technology-intensive products and products with high-additional value for export," he said.

This will require CEIEC to improve its ability to adapt to changes in the world market, he said.

To do so, CEIEC will emphasize readjusting the products for export in a timely manner and upgrading and modernizing those products.

At present, the range of electronic products exported by the corporation has increased from a few dozen to several hundreds, including television sets, audio equipment, electronic medical instruments, digital multimeters, communication equipment, small-scale electronic-programmed telephone switching systems and various other electronic devices.

#### **Dalian Exports Cargo Vessel to Belgium**

*OW3009030189 Beijing XINHUA in English  
1714 GMT 29 Sep 89*

[Text] Dalian, September 29 (XINHUA)—China's first roll-on-roll-off cargo ship for export, named the "Eglantine," was launched at eight o'clock this morning at the Dalian shipyard, in northeast China's Liaoning Province.

This is the first time for China to build and sell abroad this type of vessel, and it is also the 18th ship built for export by the Dalian shipyard over the past ten years.

The ship, of 7,200 dwt, was made for the Cobelfret Company of Belgium. It is 147 m long and 21 m wide. It can accommodate 415 standard containers and 75 automobiles.

The ship is fitted with satellite navigation, double main engines, unmanned engine room and other modern installations. Its speed can exceed 15 knots.

The Dalian shipyard is the only one in China that can build 100,000 dwt to 150,000 dwt cargo ships. It has been approved by the classification societies of Norway, Sweden, Britain and the United States.

#### **Guangxi Called 'Major Channel' in Foreign Trade**

*HK0210025989 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0756 GMT 27 Sep 89*

[Report: "Guangxi Serves as a Major Channel of Southwestern China in Opening Up to the Outside World"—ZHONGGUO XINWEN SHE headline]

[Text] Nanning, 27 Sep (ZHONGGUO XINWEN SHE)—Guangxi, which has a boundary line of 1,020 km, has always been an important military center on the southern border of China. Since entering the new period of reform and opening up, Guangxi has gradually become a major channel through which southwestern China opens up to the outside world, and it has demonstrated great importance both militarily and economically.

To support the front during the counterattack in self-defense against Vietnam 10 years ago, Guangxi's economic construction was affected. It sacrificed itself in exchange for tranquility in the rear area of China. In Guangxi there was a land route, called the "Ho Chi Minh Path," leading to Vietnam; there was a water route, also called the "Ho Chi Minh Path," originating from today's Fangcheng port.

In 1984, the state incorporated Fangcheng port into Beihai City and opened it to the outside world. By 1986 the port had built seven 10,000-ton class wharves with an annual handling capacity of 3.6 million tons, thus becoming one of the 10 major ports in China. Two 10,000-ton class wharves have also been built in Beihai City. Some provinces and cities in southwestern and central south China first deliver their materials to these two ports and then, after loading them onto ships, transport them to Southeast Asia and Western Europe. This route is several hundred km shorter than that through Guangzhou and Zhanjiang. This once little-known military port has now become the most convenient export trade port for some provinces and cities in southwestern and central south China. At present, the two harbors have business contacts with more than 80 countries and ports throughout the world.

There are three trunk railways linking Guangxi and southwestern and central south China, the Guizhou-Guangxi, Hunan-Guangxi, and Zhijiang-Liuzhou railways. The linking of the Nanning-Fangcheng and Hunan-Guangxi railways in 1984 has even more closely connected the hinterland of southwestern and central south China with the coastal areas of Guangxi. More than 80 percent of the exported materials from some

provinces and cities in southwestern and central south China, and nearly all of their imported materials, are exported or imported through Guangxi, which is the transfer point. Liuzhou City, situated in the central part of Guangxi, has become a hub of railway communications linking southwestern and central-south China.

In the past, there were hardly any vehicles from Yunnan and Guizhou running on the highways of Guangxi, but now there are always big transport motorcades from Yunnan and Guizhou. In the first 10 days of September, Guangxi and Guizhou also succeeded in jointly opening up land-and-water coordinated transport through the Nanpan Jiang, Beipan Jiang, and Hongshui He, thus opening another passage for the transport of mineral products, like coal and phosphorus, from Yunnan and Guizhou to Guangdong and their export abroad. Meanwhile, some 20 airline routes from Guilin, Nanning, Beihei and Liuzhou to various parts of the country have shortened the spatial and temporal distances between Guangxi along the southern border of China and the hinterland.

Following the opening up of cities and counties like Beihai, Fancheng port, Yulin, Wuzhou, and Qinzhou, Guangxi is gradually becoming an investment center for economic construction. southwestern and central south China have asked Guangxi to join in their economic cooperative regions. Over the past few years, some provinces and cities in southwestern and central south China have invested more than 200 million yuan in over 700 cooperative projects in Guangxi. A responsible person of the department concerned said, "This is just the beginning. The trend of other provinces investing in Guangxi will grow rapidly in the future."

### **Qinghai Exports Horsemeat**

*OW0310172389 Beijing XINHUA in English*  
1433 GMT 3 Oct 89

[Text] Xining, October 3 (XINHUA)—Qinghai Province in northwest China recently delivered its first batch of 30,000 kg of horse meat to Japan.

Compared with pork and beef, horse meat is low in fat but high in protein and iron.

Qinghai is the main horse-raising area in China. There are about 500,000 horses in the province. With the development of modern means of transport, horses are no longer used as draught animals. Besides, horses vie with cattle and sheep for forage which damages the grasslands.

Qinghai Cereals, Oils and Foodstuffs Import and Export Corporation handles the export of horse meat.

### **Shaanxi Attracts Foreign Funds**

*HK0410104689 Xian Shaanxi Provincial Service in Mandarin 0300 GMT 4 Oct 89*

[Excerpt] In the 10 years of reform and opening up, our province has made much headway in using foreign funds.

By the end of August this year, the province had attracted foreign investment funds of \$1.3 billion in the form of signed agreements and used over \$500 million; and there had been 142 Chinese-foreign joint ventures, cooperative enterprises and exclusively foreign-funded enterprises throughout the province. While securing and using foreign investment funds, our province has made continuous efforts to improve the investment climate and developed more production-oriented and export-oriented enterprises. Foreign investment in production-oriented projects in the proportion of using foreign funds increased from 43.8 percent in 1985 to 85.7 percent, with the focus on industrial enterprises, the building industry, the processing industry and service trade. This has played a positive role in readjusting the production structure of our province. [passage omitted]

## **TRANSPORTATION**

### **Harbin-Acheng Highway Opens to Traffic**

*SK0410050989 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 30 Sep 89*

[Summary] The Harbin-Acheng Highway, the province's first totally separated, and enclosed, first-grade highway specially made for vehicle transport service, was open to traffic on the morning of 30 September. This highway is one of the key projects of the Ministry of Communications and Heilongjiang Province, during the Seventh 5-Year Plan period. It is an important outlet of Harbin to the east areas, as well as a trunk section of highway to Yuquan and Acheng, major building materials bases of Heilongjiang Province. Begun in May 1987, this 34-kilometer-long highway has undergone a construction period of 2 years. This whole project has consumed an investment of 185 million yuan. With a width of 16.5 meters, this four-lane highway has the capacity of accommodating 18,000 vehicles at one time.

### **Shanghai-Huangshan Mountain Air Route Reopens**

*OW1010012389 Beijing XINHUA in English*  
1528 GMT 9 Oct 89

[Text] Shanghai, October 9 (XINHUA)—After two years' suspension, the civil air route between Shanghai and Huangshan Mountain has been reopened.

From this month, the Huangshan Mountain Airport, which has been reconstructed, is able to take the BAE-146 planes made in Britain. Next April it will be able to take MD-82 planes.

In the reconstruction of the airport the runways have been lengthened from 1,800 meters to 2,200 meters and their surface has been changed from crushed stones to cement. The airport has also installed advanced equipment for blind landing, navigation and communications.

The China Eastern Airlines flies planes on the route every Wednesday and Friday.

### **Suburban Shanghai Completes Highway Network**

*OW0610080089 Beijing XINHUA in English  
0158 GMT 6 Oct 89*

[Text] Shanghai, October 6 (XINHUA)—A 2,800-kilometer highway network has been completed in suburban Shanghai after 40 years of efforts in line with intensified economic activities, according to the Shanghai-based newspaper JIEFANG DAILY.

The total length of the roads is 14 times that in the 1950s, and the roads link Shanghai, the country's largest manufacturing center, with other parts of China.

Before liberation, there were only 200 kilometers of highways in suburban Shanghai.

In the late 1950s, the Shanghai Municipal Government began to increase investment in major highway projects in the suburban area. On this basis, highways were built to link up all counties and villages in the area.

There are 2,275 highway bridges in suburban Shanghai, an average of one bridge for each kilometer of highway.

### **New Type of Bridge Constructed in Sichuan**

*OW0610104089 Beijing XINHUA in English  
0835 GMT 6 Oct 89*

[Text] Chengdu, October 6 (XINHUA)—A bridge built with steel fiber reinforced concrete, the first of its kind in China, has been recently completed in Sichuan Province in southwest China.

Steel fiber reinforced concrete, a new building material, conserves steel and concrete, and is resistant to bending, fatigue and shock.

Jointly designed and constructed by the Chongqing Institute of Communications and the Chongqing City Government, the bridge, located in Dazhu County, is 8.57 meters high, 81.2 meters long with a 60-meter span.

## **AGRICULTURE**

### **Henan Farmers Destroy Tobacco Crop**

*90OH0026a Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 17 Sep 89 p 2*

[Report by Liu Caiwang 0491 1752 2598 and Wang Zhifu 3769 1807 1381: "Henan Tobacco Farmers

Destroy a Large Acreage of Tobacco—A Reportedly Unprecedented Phenomenon Since the Founding of the PRC"]

[Text] In August, a phenomenon unprecedented since the founding of the PRC—destroying a large acreage of tobacco crop by tobacco farmers—occurred in Henan Province which is known as the "tobacco kingdom."

According to the survey and statistics of Henan's tobacco departments, 64,450 mu of tobacco leaves have been destroyed by angry tobacco farmers, turning over 2.6 million jin of tobacco leaves into man-made rubbish. The direct economic damage of tobacco farmers is 6 million yuan, and the state will lose over 2 million yuan in revenue income.

Henan's tobacco is the main raw material of cigarette industry in China. It is also a ready source of money for tobacco farmers. Why did tobacco farmers personally destroy their own tobacco leaves before they were turned into money? The Henan Provincial Tobacco Monopoly Marketing Bureau specially organized related personnel to carry out investigation in tobacco production areas and talk to some tobacco farmers and county and township cadres. They thought that tobacco farmers destroyed tobacco because of the following reasons:

The prices of agricultural capital goods and the production cost of tobacco leaves have increased. Since the beginning of this year, capital goods needed for the production of tobacco leaves such as chemical fertilizer, plastic film, pesticide, bamboo pole, and rope have increased by a large margin. Especially the prices of coal used to cure tobacco have increased over 1 fold. In coal production areas, a ton of coal sells for 180 yuan when it reaches the hands of tobacco farmers. In Zhoukou, Shangqiu, and Nanyang where no coal is produced, a ton of coal costs about 230 yuan and the quality is poor. To cure green tobacco into brown tobacco, farmers have to pay 0.5 to 0.7 yuan as processing fee for each 500 ke of tobacco leaves. So the production cost of tobacco per mu is between 190 and 220 yuan, more than double of last year's figure.

The price parities between tobacco and other farm products such as grain, cotton, and oil-bearing crops are irrational. In recent years, the procurement prices of grain, cotton, and rapeseeds were adjusted upward several times while the procurement prices of tobacco leaves remained unchanged, resulting in a reduction of income for tobacco farmers. The production cycles of other crops are short. In one year, farmers may have a harvest of wheat and a harvest of corn or other crops. The current market price of wheat is 0.6 yuan for 500 ke and that of corn is 0.38 yuan. The annual net income per mu can reach 300 to 350 yuan. Tobacco farmers can have only one harvest of tobacco leaves a year. Their production cost is high and production cycle long. They are labor intensive and time consuming. But the annual net income from 1 mu of tobacco is only 150 to 220 yuan, lower than the profit of growing grain.

Cured low-grade tobacco leaves lose money. Since July, tobacco production areas have had an unbroken spell of wet weather and low temperatures. Due to a lack of sunshine, the upper part of green tobacco contains a large amount of water and takes a long time to cure. The average procurement price of seven lower grades of tobacco is 0.3 yuan for 500 ke. Among the seven grades, the highest one is the medium-brown fifth grade which sells for 0.6 yuan for 500 ke; the lowest one sells for only 0.05 yuan. If tobacco farmers can cure their tobacco leaves into the medium-brown fifth grade tobacco, they will break even. The remaining six grades of tobacco will lose money or may not even earn enough to pay for the coal used for curing.

Due to the "tobacco war" in the last 2 years, out of their own interests, some areas and tobacco departments raised the grade and price during tobacco procurement. Many tobacco farmers had abnormal income by mixing low-grade with high-grade tobacco and by cheating. Statistics show that tobacco farmers' per-mu net income was 400 to 600 yuan last year. Some even had as much as 800 yuan. According to the estimates of the departments concerned, last year Henan Province suffered an economic damage of 206 million yuan as a result of raising the grade and price of tobacco, mixing the grades, and cheating. This year tobacco procurement departments procured tobacco leaves in accordance with state standards. They did not lower the grade and price, nor did they raise the grade and price. But many tobacco farmers could not understand this. They became angry and restless.

At present, the departments concerned have managed to basically stop the phenomenon of tobacco farmers destroying their tobacco. But if they do not readjust the policy in a timely manner, tobacco production is bound to drop sharply next year.

### **Agricultural Development Planned for Southern Hunan**

90OH0016c Beijing JINGJI RIBAO in Chinese  
8 Aug 89 p 2

[Article by Xiong Qingquan 3574 3237 3123, Hunan CPC Committee Secretary: "Vigorous Development of Agriculture in Southern Hunan"]

[Text] The province's tremendous achievements during 10 years of reform are universally acknowledged. Nevertheless, the situation we face in a year-by-year population increase, a year-by-year cultivated land decrease, and a steady increase in demand for commodity grain remains rather serious. It has become a major problem affecting the survival and development of the nation. Given these circumstances, simply going around in circles on conventional agriculture will not suffice to solve the difficult situation existing in agriculture. Comprehensive development of agricultural resources must be done in a planned, step-by-step way. This is both a

strategic measure to assure the sustained, steady development of agriculture, and also the hope for the development of agriculture. It was in this realization that our provincial CPC committee and provincial government heard the views from all parties as a basis for taking advantage of a favorable opportunity for readjustment of the economic structure to work out a strategic policy for development of agriculture in southern Hunan Province.

Southern Hunan is territorially contiguous with both Guangdong and Guangxi provinces; it has plentiful agricultural resources; conditions for development are rather good; and the potential for development is very great. The region comprises both Chenzhou and Lingling prefectures as well as Hengyang City, 31 counties and cities, a population of 15 million, 12 million mu of cultivated land, 34 million mu of forests, 9 million mu of reclaimable land, and 17 million mu of barren mountains suitable for forests or pastureland. The topography of southern Hunan is generally flat, suiting it to the development of diversified agricultural crops and the aquatic breeding industry. Were the region's wasteland and barren mountains to be developed, they could produce an additional approximately 2.5 billion jin of grain, 5 million lean meat hogs, 1 million livestock, 1 million cubic meters of timber, and 2 million dan of fruit for very great economic and ecological benefits. When we reported our ideas for the development of southern Hunan to Central Committee and State Council leaders during the winter of 1988, they were immediately accepted, and a decision made to provide state support for development.

After southern Hunan was made a key national agricultural development area, the province immediately established a leadership team for the comprehensive development of agriculture in southern Hunan with a deputy governor in charge. Responsible provincial CPC committee and provincial government comrades conducted several on-site development surveys and studies, and leaders in cities and counties throughout southern Hunan concentrated their energies on stirring the thinking of the masses and the development of model demonstrations. They devoted themselves to the validation of development plans, the formulation of policy measures, and to the task of organizing and coordinating in various ways. Thanks to the painstaking organization and leadership of leaders at all levels, the enthusiasm of the broad masses for the development of agriculture was very high. During the winter of 1988 and the spring of 1989, a "craze for development" occurred in southern Hunan. During the winter of 1988 and the spring of 1989, a total of 400,000 mu of land was reclaimed, including 140,000 mu of land suitable for the growing of grain, 50,000 mu for the growing of cash crops, and 210,000 mu for the growing of fruit. Additionally, work was completed on changing 55,000 mu from dryland to wetland fields; 880,000 mu of low yield fields were transformed; 680,000 mu of ton grain fields were built

(i.e., high standard paddy fields having 1,000 kilogram per mu grain yields), and 1.12 million mu of barren mountains were afforested.

The first act in the development of southern Hunan has begun, but the future tasks will be daunting. We conscientiously summarized experiences in the previous stage of development, further strengthening leadership, firmly relying on the masses, carrying forward a revolutionary spirit of self-reliance and arduous struggle, and striving to overcome all hardships. We are firmly resolved to do a good job from start to finish in the development of southern Hunan, which is of such importance to the economic development of the whole province. On the basis of the knowledge gained from previous surveys in southern Hunan, we will have to adhere to the following guiding thoughts during the future development of southern Hunan.

Adherence to taking grain as the key link, suiting general methods to specific circumstances for comprehensive development. The overall principle for the development of southern Hunan should be to proceed from realities as they exist in each area, suiting general methods to specific circumstances to grow grain in places suited for the growing of grain, to raise livestock in places suited for raising livestock, to produce fruit in places suited for growing fruit, and to grow forests in places suited for growing forests. However, under the natural conditions existing in southern Hunan, quite a few places are suited not only to the growing of grain, but also to the growing of forests, fruits, and cash crops. This poses the problem as to where the emphasis on development should be placed. In present terms, grain is the precious commodity that the country needs most. Not only do we ourselves need it, but several neighboring provinces also need it. Therefore, in the overall development of agriculture in southern Hunan, it is only grain that should be taken as the key link. Suiting general methods to specific circumstances can only be construed to mean growing grain in places suited for the growing of grain; growing something else only when grain cannot be grown. We must seize this opportunity to develop agriculture, increasing southern Hunan's output of commodity grain as rapidly as possible to make southern Hunan the second largest granary in the province (after the Dongting Hu region).

Adherence to building water conservancy facilities first, paying attention to the planned building of water conservancy as a priority matter. In Hunan, growing grain means mostly growing paddy. "Paddy, paddy, only where there is water can there be paddy" goes the saying. Not only does grain production require water, but neither can cash crops be grown without water. Only by solving water conservancy problems can the yields of southern Hunan's large tract paddy fields be increased, can large tracts of dryland fields be converted to wetland fields, and can large tracts of barren slopes be developed into cultivated land. Thus, in a certain sense, the development of southern Hunan amounts to the development of water conservancy.

Adherence to development both in breadth and in depth, fully tapping available cultivated land potential. In-breadth development should not be construed to mean only reclamation of wasteland. In some places, a greater potential exists for increasing the utilization rate of existing cultivated land. A decision must be made to develop winter agriculture and agriculture on the raised paths between fields, putting these resources to full use. In-depth development means mostly the transformation of low yield fields, and the building of "ton of grain fields," increasing yields per unit of area and increasing the quality of agricultural products.

Adherence to the removal of restrictions to spur development, building a development system that is filled with vitality. Development of southern Hunan requires adherence to the country, collectives, and individual rising together, the pooling of funds through various channels, many methods of development, and arousing the enthusiasm of all quarters. The leasing of development and the joint development that some places are now using are workable. However, no matter the method used, attention must be given to bringing into play the enthusiasm of the broad masses of peasants. Hunan has been approved by the State Council as a "pilot project area in the transition of reform and opening to the outside world from the coast to the interior." Transitional policies and flexible measures should be fully applied to attract entrepreneurial units and individuals both in China and abroad, and from inside and outside the province to invest and to contract development, taking a road of using the removal of restrictions to spur development.

### Hunan Subsidizes Grain Production

90OH0026b Changsha HUNAN RIBAO in Chinese  
17 Aug 89 p 2

[Article by Guo Shenghua 6753 4141 5478, deputy director of the Hunan Provincial Grain Bureau: "We Should Know That Every Grain on Our Plate Is Subsidized—Introducing Grain Subsidy to Urban Residents"]

[Text] When we urban residents eat, we should not only know how hard it is for peasants to produce grain but also understand what a large amount of subsidy the state has to pay to supply us the ration of food grain. The state financial department loses money in every link of grain procurement, storage, transportation, and supply. Indeed "every link is subsidized, and so is every grain."

Here I would like to use a corner of your newspaper to introduce the concrete situation in this regard. According to the current policy, Hunan Province pays 22.1 yuan for 50 kg of paddy when it buys contracted procurement grain from peasants, and the state supplies food grain to urban residents at the unified sales price of 9.5 yuan. (About 70 percent of paddy is turned into second-grade standard rice which is sold at 14.2 yuan for 50 kg in cities like Changsha and 13.8 yuan in other localities. To improve the living standards of urban residents, most areas process and supply first-grade

standard rice whose quality and price are both higher than those of the second-grade standard rice.) Therefore, for every 50 kg of paddy, the state financial department has to subsidize 12.6 yuan to make up the difference between purchasing and sales prices. To supply grain from rural procurement to the hands of urban residents, we also need a sum of circulation fees which include interest, safe-keeping and packaging fees, freight, loading and unloading fees, workers' wage and welfare funds, wastage, and management fees. For every 50 kg of paddy, Hunan Province needs on the average of 6 yuan to cover over 10 items of fees. Moreover, the amount of state-price grain supplied in Hunan Province is greater than that of state-price grain procured. The 700 million kg of difference between the supply and procurement of paddy is made up by purchasing grain from peasants at free market price and then supplying it at state price (which is called "market price turned to state price"). The free market price of 50 kg of paddy is 20 yuan higher than the state price. Furthermore, the state has to subsidize part of the price difference when supplying state-price chemical fertilizer and diesel oil to peasants, which is part of the agreement of contracted grain procurement. The state also needs to pay interest on the advanced payment of forwarding purchasing contracts. After putting all this together, the state financial department has to subsidize about 0.6 yuan for each kg of rice and about 2 yuan for each kg of edible oil consumed by the urban residents of Hunan Province. Calculated based on the current per capita average annual ration of Hunan Province—180 kg of rice and 3.2 kg of edible oil—the state financial department subsidizes about 115 yuan every year for each urban resident and about 460 yuan for each 4-member family. It is estimated that this year the total amount of state revenue used for the grain and edible oil subsidies of Hunan Province will exceed 1.6 billion yuan. What a huge sum of expenditure this is! Here I also need to point out that peasants are making a great contribution to the state when they sell grain to the state at state prices. Calculated based on the current market price, peasants make 20 yuan less for every 50 kg of contracted procurement paddy they sell to the state. Since the average contracted procurement is over 70 kg per person, each peasant will lose about 30 yuan. This means that for each kg of rice consumed by urban residents, the state financial department subsidizes 0.6 yuan and peasants contribute around 0.6 yuan.

Ensuring that every urban resident has rice to eat and stabilizing the supply prices of food grain and edible oil are concrete manifestations of the superiority of socialist system. Urban residents over 50 years old may still remember that in the old society the biggest worry of urban residents was the price increase and shortage of rice. After the liberation, such days were gone forever. Today nobody needs to worry about the price increase and shortage of rice in urban areas. They can buy rice any time at grain stores. The monthly cost of food grain for each person is only 4 to 5 yuan. The contrast between the old and the new society is so sharp that we cannot but

thank socialism, the communist party, the people's government, and fellow peasants who work so hard and offer so selflessly!

### **Rural Banks Promote Agricultural Investment**

90OH0016A Nanjing XINHUA RIBAO in Chinese  
5 Sep 89 p 2

[Article by correspondent Zhu Xinhua 2612 2450 5478: "How To Conduct a Tilt Policy Toward Agriculture—Director of Province Replies to Reporter's Questions"]

[Text] How can rural banking units, which share a common destiny and prosper along with agriculture, make a contribution in invigorating the agricultural economy to rise to new heights? It was with this question in mind that I interviewed the provincial Agricultural Bank director, Zhao Jingbang [6392 2529 6721]

Director Zhao said: "Agriculture is the prerequisite and the foundation for the existence of the Agricultural Bank. Promoting the development of agricultural production is our bounden duty. In operating in accordance with the government-proposed policy of tilting toward agriculture, we have won definite accomplishments."

### **Increased Investment—"Warming" Agriculture While "Cooling" the Atmosphere**

Bank director Zhao said that the goal of state control of the macroeconomy and tightening of the money supply was to force a "cooling" of the overheated atmosphere; however, as far as agriculture was concerned, there was a "maintenance of warmth" and further "warming." Consequently, no matter how tight funds become, agriculture will be taken care of. Plans will include exceptions for agriculture; agriculture will receive priority for funds; investment priorities will be set; and appropriate preference will be granted for interest rates. We will give priority to supporting development of the farming and breeding industries, highlighting support for grain, cotton and oil-bearing crop production in order to support and assure production for effective market supplies of meat, poultry, eggs, milk, fish and vegetables. Statistics show that loans for support of the farming and breeding industries during the first half of 1989 year accounted for 93.2 percent of the increase in all agricultural loans, up 13 percent from the same period in 1988, substantially assuring fund needs for grain, cotton, and oil-bearing crop production. Original plans called for a 40 million yuan investment in the "shopping basket project" for meat, poultry, and eggs, but 100 million yuan was actually invested.

Bank director Zhao said that "sustenance" will be needed if agriculture is to develop. During the first half of 1989, we invested 4.45 million yuan in the transformation of small chemical fertilizer plants. We also made funds needed for the franchising of agricultural means of production an important part of the increase in agricultural investment. Loans for investment in the means of agricultural production increased by 300 million yuan

during the first half of 1989, up 23.5 percent from the same period in 1988. More than 200 million yuan was also paid as surety to departments concerned with the means of agricultural production for the importation of chemical fertilizer. In addition, credit investment was also appropriately increased to promote agricultural science and technology, for the agricultural production service system, and for sensible resources development.

#### **No Issuance of "IOU's"—Solid Mass Basis for the Development of Agriculture**

Bank director Zhao said that in conducting the policy of tilting toward agriculture, it was necessary to focus on more than support for production alone. The whole process had to be stressed, namely providing support from the production to the procurement to the circulation of commodities, and before production, during production, and after production. Right now the emphasis is on procurement, which has an important bearing on peasant enthusiasm for production, and whether agriculture can grow steadily. Under the unified leadership of government at all levels and with the vigorous support of the People's Bank, all Agricultural Bank's have made the supply of procurement funds for agricultural and sideline products a matter of major importance during the summer season this year for a substantial turn around of the previous straitened circumstances. During the period January through July, the province issued a cumulative total of 4.981 billion yuan in loans for the procurement of agricultural and sideline products, 3.327 billion yuan, or 66.8 percent of it, issued from April through July. No "IOU's" were issued to support summer procurement of 1.705 billion kilograms of grain, 900,000 dan of spring silkworm cocoons, and 118 million kilograms of oil-bearing crops.

#### **Helping Along the Superior and Restricting the Interior—Strengthening the "Underpinnings" of the Rural Economy**

Bank director Zhao said he believed that in carrying out the policy of tilting toward agriculture there was also the question of how to help agriculture enhance its own capabilities for development. As far as Jiangsu Province was concerned, particularly the rural villages of southern Jiangsu, there are limits to the dependence that has been placed during the past 10 years on the national treasury and on financial investment for the development of agriculture. The main reliance is to be on industry helping agriculture, and industry building agriculture, meaning the development of township and town enterprises to provide the materials and funds needed to assure the steady development of agriculture. Thus, we cannot overlook township and town enterprises as a mainstay for the development of agriculture. Our past efforts were marred by rushing headlong into rash action

and providing support blindly. Today, there can be no rushing headlong, doing everything with "arbitrary uniformity." All during 1989, we upheld the principle of "controlling total amounts, readjusting the structure, and both maintaining and restraining," using cutbacks as a means of freeing funds to support enterprises that earn foreign exchange from imports, and to support enterprises whose products are readily marketable and who insure effective market supply. Control over the total amount of township and town enterprise funds spurs improvement of the loan structure, and also promotes the beginning of a fall in the overly high speed development of township and town enterprises. It helps bring about a gradual solution to the previous abnormal situation of dependence on overloaded operations to maintain overhyped development.

"What is the main task of provincial agricultural banks during the last half of 1989? What is the funds situation?", the correspondent asked.

Bank director Zhao said that we will continue to carry out a tilt policy toward agriculture in accordance with the aforementioned priorities. First, we will have to marshal some funds in time for the farming season to support overfulfillment of autumn crop production. Second, we will have to do a diligent job of organizing and supplying funds for the procurement of autumn agricultural and sideline products. Third is the need to provide a certain amount of funds to support township and town enterprises, the principle continuing to be support for the superior and restricting the inferior, actively supporting "sunrise" enterprises, and selectively intensifying loan risk management for "sunset" enterprises as circumstances warrant.

Finally, bank director Zhao said that there will continue to be certain difficulties in funding during the second half of 1989. We will have to base our efforts on tapping the potential of what is available, for which the possibilities must be said to be very great. If 10 percent of the currently available more than 20 billion yuan credit can be loosened up, that will mean more than 2 billion yuan. Incomplete statistics show that this will require collecting 3.8 billion yuan in delinquent funds owed by the enterprises. Prying loose these funds is a major way in which to ease the funds shortage. In this regard, we plan to concentrate for a time on waging a "war of assault." We will also have to continue to muster funds vigorously. As of the end of July, the rural savings surplus in agricultural banks and credit cooperatives throughout the province amounted to 14.43 billion yuan, 1.539 billion more than during the same period in 1988 for an all time high. During the next 5 months of 1989, we must "maintain the increase and add to it," organizing more idle funds in society the better to support development of agricultural production.



### **River Elegy Author Plans Sequel**

HK0310082189 Hong Kong MING PAO in Chinese  
28 Sep 89 p 8

["Special" dispatch from France by staff reporter Li Yueh-hua 2621 2588 5478: "Su Xiaokang Says *River Elegy* Will Have a Sequel"]

[Text] Most of the co-authors of the banned telefilm *River Elegy* have either been arrested by the authorities on the Chinese mainland or have fled China in the wake of the "June 4th Incident." Nonetheless, *River Elegy* will soon have a sequel, which will mainly discuss the harm that communist culture has done to Chinese society.

Su Xiaokang, chief author of *River Elegy*, is now living in exile in France. During an interview held yesterday, Su Xiaokang said that he and a number of students began writing a sequel for it in September 1988. The sequel to *River Elegy* will mainly review China's development over the past 100 years, including the recent student unrest. Parts of the sequel have already been finished. However, when he fled China, he did not take the manuscript with him.

Su Xiaokang also said that, during the recent student unrest, he often went to Tiananmen Square to view the situation there. Each time he returned from the square, he altered his draft sequel because a lot of changes took place on the square each day during that period. Su Xiaokang believes that, since the "June 4th Incident" took place, he will probably have to rewrite his draft.

Su Xiaokang said that *River Elegy* laid stress on China's cultural development, whereas the sequel will lay stress on system building. China's backwardness over the past 100 years has not only been a result of the decline of Chinese culture, but also a result of the implementation of Stalin-style ultracentralism, which has done enormous harm to Chinese society.

Besides the sequel, this well-known exiled reporter-writer is also planning to write more works based on the life experiences and destiny of his generation. Su Xiaokang hopes that, while promoting the democracy movement in China, he will be able to continue his literary work abroad.

Once a writer leaves his own motherland, the source of his literary creation will gradually dry up. Su Xiaokang said that at present he has no difficulty in continuing his literary creation work because he has accumulated a lot of material over the past years. Nevertheless, after a few years, when the source of his literary creation dries up, he will not be able to write about what happens in China as vividly as he can now. Su Xiaokang said that although

literary creation has developed rapidly on the Chinese mainland over the past decade, it is still under rigid ideological control. As a result, the works produced are still immature. That a large number of the Chinese writers have fled and are living in exile has provided a good opportunity for Chinese literary creation to achieve its full maturity. Su Xiaokang said that a lot of masters of modern literature in the world are exiles.

Su Xiaokang maintained that, as an intellectual, he always has good intentions and hopes that he can help the CPC to correct its mistakes with his literary works. During the recent student unrest, although a dark cloud was hanging over China, he had predicted that he would at most be criticized and repudiated for his *River Elegy* and banned from publishing his literary works. He never expected his safety to be endangered. When he heard that he had been listed as wanted by the authorities on the Chinese mainland, he was not ideologically prepared in the least. He thought that, if worst came to worst, he would at most be jailed for a couple of years. However, later on, he realized that what the CPC wanted was to see the destruction of Chinese intellectuals.

"I was extremely terrified. I was afraid of being killed and afraid of being killed in such a simple way. Intellectuals like me who are still in the prime of life can still do a lot of things for the country. It was not simply a question of death. Once arrested, I would most probably have been turned into an instrument of the authorities, just like Liu Xiaobo. That would be the most miserable thing for our intellectuals, more miserable than death."

Su Xiaokang added that although the people of his generation have experienced the nationwide catastrophe of the Cultural Revolution, they have not personally experienced persecution and have had no experience in this respect. The "June 4th Incident" has enriched their life experiences and helped them become more mature.

At the inaugural meeting of the Federation for Democracy in China, Su Xiaokang was elected a council member. Su Xiaokang said that he plans to do more liaison work for the federation in the future, including establishing links to Overseas Chinese intellectuals and mainland intellectuals who have fled and are currently living in exile. The future of China's democracy is closely connected with the destiny of the intellectuals. Su Xiaokang suggested that all intellectuals living in exile unite to do some specific work to promote the development of democracy in China. For instance, they can start running newspapers and magazines and set up research institutions. However, Su Xiaokang said that he still has no specific plans in this respect at present. Su Xiaokang suggested that the federation should first of all concentrate its human and financial resources to start a high-standard newspaper as soon as possible.

**Speculation on Future PLA Leadership, Direction**

40050689a Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese  
No 203, 16 Aug 89 pp 18-21

[Article by Chin Po 6855 1591: "38th Group Army Commander Li Jijun 2621 7139 6511 Relieved of Duties; High-Level Transfers To Occur in Chinese Military"]

[Text] Early this month, Western news services reported that more than 200,000 martial law troops had been withdrawn from Beijing, and that, following reorganization, more than 20,000 troops were left to guard Beijing, where they will remain until after the 1990 Asian Games.

Ever since the Beijing student movement and the "June 4th Incident," trends within the military have drawn close scrutiny within China and abroad.

**Stamp of the Soldier Deeply Ingrained in Chinese Society**

The Chinese Communists fought their way to power with the gun. Therefore, the regime inevitably carries quite prominently the mark of the soldier.

Following the founding of the People's Republic, Mao Zedong put into practice a government in which military and political power were combined in a single entity. The various large military regions and governmental administrative districts—North China, Northeast, East China, Northwest, Southwest, South China—were set up in a structure basically parallel to the party and its subordinate branches. Every field army commander and political commissar wielded party, administrative, and military power over a certain area. Later, to meet military exigencies, Mao Zedong reorganized the first-level military regions, drew up 11 military regions, and implemented a military command system in which power was highly centralized and authority at the local level was limited. Only after this was achieved did military participation in local administration begin to diminish. However, the leading administrators in all levels of the major government departments at that time were all founding fathers of the nation who had only recently doffed their military uniforms. In politics, the Chinese Communists' unified leadership under the Party Committee was borrowed from the military. In the economic sphere, planned supply, equal distribution, the concentration of all efforts on a single battle, and the distribution of ration tickets, without exception clearly exhibit traits of the wartime economy.

As a tool of the rulers, the military undoubtedly served as the most convenient and effective trump in the hands of the authorities. According to one thought process of the Chinese Communists, no matter what situation arises, all that is needed to head off disaster is to throw the military at the problem. For example, during the Cultural Revolution, when Mao Zedong realized that the movement was spinning out of control, he assigned the

military to carry out the "three supports" [support the peasants, support the workers, support the left] and "two militarys" [military administration and military training] and made military personnel join "revolutionary committees" at all levels. Thus, the unity of the military and government reappeared. During the 1989 Beijing incident, the influence of the military was even more apparent. For the foreseeable future, the military will be a factor in political change in China that cannot be overlooked.

In reality, military strongmen have always played a decisive role in Chinese politics. The chairmanship of the Military Commission of the Chinese Communist Party Central Committee has always been occupied by the Central Committee chairman or one of the next two most powerful people in the party. Those in the Politburo and the Central Advisory Commission who have been capable of determining the direction of policy and shaping the political situation have generally been senior military leaders. Deng Xiaoping spoke very frankly when he met on 9 June with cadres (of group army-level or higher) from the capital's martial law troops. He stated that this disturbance was bound to occur sooner or later, and that it was a good thing that it happened when it did. "The best thing about it is that we still have a large corps of old comrades with us. They have been through many disturbances and understand the gravity of this situation. They were in favor of taking resolute action against the rebellion. In the military, as well, there is also a group of key cadres who have participated in every period of the revolution, so it was easier to handle the incident because it occurred now."

That should be considered the salient characteristic of China's current political situation.

**Current Military System and Its Deployment**

The highest leadership organ in the Chinese military is the CPC Central Military Commission [CMC] Underneath it are such leadership organs as the General Staff Department, General Political Department, General Rear Services Department, the General Logistics Department as well as the Navy, Air Force, and Strategic Rocket Forces. There are also various arms and services directly under the central command.

The military regions consist of military territories which have been drawn up in accordance with strategic necessities, as well as their corresponding first-level military organs. They are under the direct leadership of the CMC. There are leadership organs within each military region which exercise unified leadership over military work within their respective regions.

In 1985, the enlarged meeting of the CMC decided, based on requirements imposed by actual conditions, decided to reduce troop strength by one million and to merge the 11 military regions into seven:

Beijing Military Region—Includes Hebei, Beijing, Shanxi, and Inner Mongolia. It is not only the capital

garrison, but is also responsible for repelling any Soviet tank advance from Mongolia, and for resisting any surprise attack. The current commander is Lieutenant General **Zhou Yibing** [0719 5902 0393], and the political commissar is General **Liu Zhenhua** [0491 2182 5478].

**Shenyang Military Region**—Includes China's three northeastern provinces, and is responsible for the security of the northeastern border. The commander is **Liu Jingsong** [0491 4737 2646], and the political commissar is **Song Keda** [1345 0344 6671].

**Jinan Military Region**—Includes Shandong and Henan. It serves to surround and protect Beijing, and to seal off the eastern seaboard. The commander is **Li Jiulong** [2621 0046 7893], and the political commissar is **Song Qingwei** [1345 3237 3262].

**Nanjing Military Region**—Includes Jiangsu, Anhui, Zhejiang, Jiangxi, and Fujian. It is responsible for defense of the "eastern seacoast front line." Its territory is China's richest and most populous. The commander is **Xiang Shouzhi** [0686 1343 1807], and the political commissar is **Fu Kuiqing** [0265 1145 3237].

**Lanzhou Military Region**—Includes Shaanxi, Qinghai, Xinjiang, Gansu, and Ningxia Provinces. It covers the largest territory and has the longest border with the Soviet Union. The commander is **Zhao Xianshun** [6392 0341 7311], and the political commissar is **Li Xuanhua** [2621 1357 0553].

**Chengdu Military Region**—Under its jurisdiction are Sichuan, Tibet, Yunnan, and Guizhou. It maintains military alertness on the Vietnamese border and is responsible for defense along the Sino-Indian border. The commander is **Fu Quanyou** [0265 0356 2589], and the political commissar is **Wan Haifeng** [8001 3189 7364].

**Guangzhou Military Region**—Includes Guangdong, Guangxi, Hunan, Hubei, and Hainan. It is responsible for China's South Sea defenses. The commander is **Zhang Wannian** [1728 8001 1628], and the political commissar is **Zhang Zhongxian** [1728 0112 0341].

Among the current three million military personnel in the People's Liberation Army (PLA), two-thirds belong to the Army, which has 30 group armies, 100 infantry divisions, more than 10 armored divisions, and more than 10 artillery divisions. Of the seven military regions, Beijing wields the greatest military power, followed by Shenyang.

#### **38th Group Army Commander Li Jijun Relieved of Duties**

The Beijing Military Region's 38th Group Army is one of the Chinese Communists' crack units. It began as a single arms unit in the arms and services, but developed into a combined arms unit with armor, artillery, telecommunications, engineering, antiaircraft, and air support capabilities. This is a fighting group army with strong mobility, defensive capability, and rapid strike

capability. The quality of its armaments and completeness of its military structure have made it the "fair-haired boy" of China's armed forces. The precursor of this unit was the "Heroes Brigade" of Marshal **Peng Dehuai** [1756 1795 2037], which was organized during the Pingjiang Rebellion and achieved many military feats during the War of Resistance Against Japan, the war of liberation, and the Korean war.

Li Jijun, the 38th Group Army commander, is a shrewd and competent military official with an intellectual mindset. He was engaged in research on military theory during the 1950's in the Academy of Military Sciences. Later, he was transferred to serve as commander of the Beijing Military Region's 38th Group Army, which he built into China's first mechanized group army. He also commanded over battle exercises performed by this group army somewhere in northern China, during which time he displayed outstanding leadership ability. Li Jijun is a member of the Chinese Communist Party Central Committee, and was awarded the rank of lieutenant general in 1988. It is reported that Li Jijun violated military discipline when martial law was declared in Beijing, and he has now been relieved of his duties by the CMC.

Among the leaders of the seven military regions, the one with the longest list of credentials is Xiang Shouzhi, commander of the Nanjing Military Region. General Xiang Shouzhi is from Xuanhan, Sichuan. He joined the revolution in 1934 and the party in 1936. At one time he was a deputy platoon commander in the Red Army's 9th Army Group, 76th Regiment, and he participated in the Long March. During the Anti-Japanese War he served as a company commander, battalion commander, and deputy regimental commander in the 8th Route Army's 129th Division, 386th Brigade. At that time, the brigade commander was the great general Chen Geng [7115 6342], and the division commander was Marshal **Liu Bochong** [0491 0130 2110]. During the war of liberation, he served as deputy brigade commander of the Shanxi-Hebei-Shandong-Henan Field Army's 6th Column, 18th Brigade. The commander of that column was **Qin Jiwei** [4440 1015 0251]. Later, Xiang Shouzhi became commander of the Central Plains Field Army's 9th Column, 26th Brigade, and then a division commander in the 2d Field Army's 15th Army Group. He rolled into the central plains along with the great army of Liu and Deng. Since the Chinese Communists came to power, he has served as: division commander in the People's Volunteer Army, chief of staff for a group army, commander of a group army, director of the Artillery Science and Technology Institute, deputy artillery commander, commander of the 2d Artillery, assistant commander of the Nanjing Military Region, and commander of same. In 1955, Xiang Shouzhi was awarded the rank of major general, and in 1988 was awarded the rank of general. Xiang Shouzhi, 72 years old, has borne the trials of a military existence all his life. He has been through countless battles and will undoubtedly retire from the

front line soon. In 1988, he wrote *A Preliminary Discussion of the Overall Combat Effectiveness of Strategic Battlefield Troop Convergence*. This high-level leader summed up the experience of the Battle of Huaihai from a theoretical perspective. He used events of the past to comment upon the present, which was noteworthy.

**Liu Zhenhua** [0491 2182 5478], political commissar of the Beijing Military Region, is 69 years old, and is also one of the old generals. Liu Zhenhua joined the 8th Route Army in 1938. Under the command of **Xu Xiang-qian** [1776 0686 0467], he served as a company-level political instructor, battalion-level political instructor, and a regimental political commissar. Early in the war of liberation, the Shandong Column, of which he was a part, marched to the northeast along with Marshal **Luo Ronghuan** [5012 2837 2719]. He served in the Liaoning Military District as: deputy political commissar of the 3d Public Security Brigade; deputy political commissar of the Independent 3d Division; deputy political commissar of the 2d Group Army; political commissar of the 20th Regiment, 7th Division, 3d Column, Northeast Democratic Allied Army; political department director, 7th Division, 3rd Column, Northeast Field Army. His general commander was **Lin Biao** [2651 1753], and his political commissar was Luo Ronghuan. He participated in the great battle of Liao-Shen and the battle of Ping-Jin. After the Chinese Communists founded the People's Republic, he went to Korea to participate in the war there. He served as a division-level political department director, division commander, deputy commander of the People's Liberation Army, PLA political commissar, Shenyang Military Region deputy political commissar, and (concurrently) Luda Garrison District first political commissar. During the Cultural Revolution, he served as ambassador to Albania and as deputy foreign minister. After the Cultural Revolution he served as Shenyang Military Region's deputy political commissar, then political commissar. In 1987, he was transferred to serve as political commissar of the Beijing Military Region. He was awarded the rank of major general in 1964, and in 1988 was awarded the rank of general.

#### **Lieutenant General Fu Quanyou Has Potential To Rise**

Lieutenant General **Fu Quanyou** [0265 0356 2589] was chosen to serve as commander of the Chengdu Military Region when the CMC readjusted the leadership corps in 1987. He is 59 years old, tall, has an impressive appearance and dignified demeanor, and he exudes a military air. He participated in the war of liberation, the war against the United States and in support of Korea, and the war of self-defense and counterattack against Vietnam. He rose step by step through the ranks, from company, battalion, regiment, and division to group army. In his work he considers questions deeply, yet he looks for results. He has a rich store of experience in military administration, and is very knowledgeable about management theory. In recent years he has contributed several articles to influential publications, both military and nonmilitary. His writings include: "New Era Military Management and Outstanding Traditions,"

"Scientific Management of Combat Strength," "A Preliminary Discussion of The Chinese Army's Philosophy of Military Development in the New Era," "High- and Middle-level Cadres Must Strive To Raise the Quality of Their Thought and Morals," and so on.

#### **Organs of Military Leadership in Beijing Now Beginning a Thorough Investigation of Their Ranks**

After the June 4th Incident, the Chinese instruments of public opinion began a propaganda campaign of unprecedented intensity, vigorously singing the praises of the PLA. This is the second time in the past 10 years that the PLA has received special treatment. The first time was in 1979 during the battle to counterattack Vietnam. After this incident, Deng Xiaoping not only received a visit from the leaders of the martial law troops, but also bestowed the title of "Defender of the Republic" upon the 22 soldiers who lost their lives during the incident in Beijing. However, at the same time, thorough investigations are proceeding in all the organs of military leadership stationed in Beijing. This operation is being pursued across the board. The Chinese Communists feel that the influence of liberalization has been fairly great in the military in recent years. Although thinking is quite lively, extreme views of the problem have been inevitable. This has had a negative impact within the military. The PLA's General Political Department has demanded that investigations carried out by the military be stricter than those carried out at the local level. In particular, all party cadres at the level of division or higher must pay close attention to practical matters, examine the past, rectify their thoughts, "make a clear distinction between right and wrong, and raise their level of consciousness." People familiar with such issues forecast, on the basis of the Chinese Communists' past record, that not long from now, after the investigations have been completed, a reshuffle will inevitably take place at high levels within the military leadership. However, China's armed forces are going to have a greater say in decisions about issues relating to the military system, training, equipment, technology, and thought. Furthermore, greater resources will be allocated to the military.

#### **Who Will Command the Entire Army After Deng Xiaoping?**

Recently, with the enormous change that has occurred in Chinese politics, people have become concerned about whether General Secretary **Jiang Zemin**, who is unversed in military affairs, will be able to join the CMC and command and make use of the military. This is an issue of concern within China and abroad.

A knowledgeable person in Beijing told this writer that regardless of whether Deng retires or Jiang joins the CMC, there will be no major shakeup in the CMC. **Yang Shangkun**, vice chairman of the CMC Standing Committee (as well as president of China and a member of the Politburo), has not only become a major powerholder in the military, but is also one of the policymakers within the Politburo. In terms of seniority and power, the

82-year-old Yang Shangkun could very well succeed Deng Xiaoping in the next few years as China's highest military commander. Furthermore, he could be a key figure as the Chinese military passes the torch from one generation to the next.

### Report on 'Red Army Regiment'

HK3009014489 Beijing RENMIN RIBAO in Chinese  
25 Sep 89 p 5

[Article by XINHUA reporters Cao Guoqiang 2580 0948 1730 and Chen Zhiqiang 7115 2535 1730: "Steeling the Military Spirit With Political Work—Notes on a Certain 'Red Army Regiment' of the Martial Law Enforcement Forces"]

[Text] Among the army units enforcing martial law in the capital, there is a regiment known as the Red Army Regiment. When they were called into the capital to put down the rebellion on 3 June, they crushed furious attacks by counterrevolutionary ruffians by drawing upon powerful political work. When they enforced martial law later, they again consolidated the unit by means of political indoctrination, and won widespread acclaim. The Red Army Regiment got the first prize when the group army compared and appraised appearance, discipline, bearing, administration, and management of different army units recently.

## I

Early morning of 4 June saw major streets in Beijing enveloped in billowing smoke and blazing flames; military vehicles set afire by ruffians were found everywhere. The area around Lijiao Bridge at Jianguomen, which was guarded by the Red Army Regiment, however, was another story: More than 40 military vehicles were in neat array, sentinels stood at either end of the bridge, guns in hand, and the crowd was kept off the security line.

On the evening of 3 June when the regiment arrived at the Lijiao Bridge, they were immediately surrounded by tens of thousands of people. Political department director Lu Liansheng spoke in a loud voice over his portable microphone: "We were ordered to enter the capital to maintain order. You are welcome to raise questions. Whoever injures our soldiers will be regarded as a ruffian, and prosecuted without mercy!" At the same time, there was an officer or a soldier at every military vehicle propagandizing the crowd over his portable megaphone.

Questions were rained upon the announcers. Some people, ignorant of the facts, asked for explanations, while others made malicious attacks. But the officers and men calmly answered every question put to them, and received much applause.

Seeing their soft tactics did not work, a group of ruffians swarmed forward unscrupulously, in a vain attempt to overturn the military vehicles and set them on fire. Many

people shouted in chorus: "Hands off! Get out!" With the determined resistance of officers and men and the help of the masses, the ruffians were forced to lower the vehicles that they had lifted. The ruffians made six major charges that evening, but their attempts were foiled one by one by the officers and men who got support from the masses. Toward dawn, the ruffians were compelled to abandon their efforts and stampeded, cursing: "This army unit is damned difficult to deal with."

How much energy the officers and men spent to convince the masses! When they arrived in Beijing on 22 May, having endured the hardships of a long journey, the regiment political department immediately launched an education campaign, teaching members of the whole regiment to "strictly follow the instructions of the central authorities and combat bourgeois liberalism." They also compiled 120 handbooks on how they should act in enforcing martial law, including "Main Points To Discuss With the Masses," "Ways To Handle Complicated Issues," "Points for Attention in Politely Fulfilling Duties," in light of the party's relevant policies and the difficulties they were likely to encounter. The officers and men received intensive training before they were sent to their posts. The People's Liberation Army General Political Department transmitted their experience throughout the country.

## II

By taking advantage of powerful political work, the Red Army Regiment not only withstood a life-and-death test, but also a test of tough conditions.

The 9th company was the vanguard of the regiment. Officers and men of the whole company were unable to have supper before they set off. By the evening of 4 June, they had not had anything to drink for more than 30 hours, and 11 soldiers fainted from hunger at their posts. Seeing his subordinates fainting one after another, company commander Yang Huicheng, who was too impatient to wait, hurried to the battalion headquarters and brought back two bags of biscuits weighing a half jin each. The amount was so small for scores of soldiers in the company that each member could only get a very small piece. The first man who got a biscuit was the 4th squad leader, Zheng Weidong, a party member. Seeing that there were not enough biscuits to go around, he insisted that he was not hungry and rejected it. Other soldiers followed his example. As a result, two bags of biscuits were left intact and returned to the company commander. The company commander got excited and shouted: "Eating biscuits is for the purpose of accomplishing our mission. I order you to have them."

Six days and nights after the rebellion was crushed, officers and men of the whole regiment slept in the open under the Lijiao Bridge at Jianguomen. They had no tents or mosquito nets, so they were exposed to the scorching sun by day and mosquitoes at night. When it rained, officers and men could take shelter only under automobiles. The leadership of the Changfugong Hotel

repeatedly told them to stay in the hotel, but their invitation was invariably politely declined. As there was no boiled water to drink, many comrades contracted enteritis, going to the toilet seven or eight times a day, but nobody abandoned his post. On the first day they were transferred from the outpost line of defense to fixed posts, 37 officers and men from the 3d battalion stood sentry for 5 hours in succession. Eight comrades passed water with their trousers on, never moving a bit. When coming to the bridge for inspection, leaders from the headquarters praised them for conscientiously observing discipline.

### III

Officers and men of the Red Army Regiment were praised by higher authorities and people of all walks of life for their remarkable political work. However, they warned themselves against conceit and arrogance amid the widespread applause, sounding the alarm.

One day last July, driver Xiao Wang violated traffic regulations at Tiananmen Square by running a red light while carrying out his mission. Someone criticized him for that, but he said in a casual way: "The police will not bother about vehicles of martial law forces." From this incident the regiment party committee keenly realized that conceit and arrogance had developed among the soldiers. They immediately straightened things out in every field, teaching the soldiers to observe discipline, fulfill their duties, preserve their image, and uphold unity with other organizations.

In July, two small groups comprising office workers and political instructors from various battalions and headed by Political Commissar Gong Zhuxing, and Director Lu Liansheng visited over 30 units, including the 116th Middle School, Changfugong Hotel, Jianguomen Police Substation, and so on, to solicit their opinions. Late at night on a certain day in mid-July, Fan Songshan, a cadre from the Beijing Highway Transportation Management, came to a guard post of the Red Army Regiment on his way home from the airport in a car. When the soldiers on duty inspected his certificates, the two sides had a quarrel, and Fan and his car were detained. In the rectification drive, the cadres and soldiers realized they too were to blame if they set higher demands on themselves. Then they made a special trip to Fan Songshan's place, traveling a few dozen li. They apologized to him in person and also made self-criticism.

### Military Unit Builds Hydroelectric Power Station

40050689f Beijing JIEFANGJUN BAO in Chinese  
5 Aug 89 p 2

[Article by Zhao Guo 0340 0948 and Wang Long 3769 7893: "Sichuan Military Reserve Corps Contracts To Build Hydroelectric Power Station"]

[Text] In early June, a hydroelectric power plant with a generating capacity of 510 kilowatts was built in Chenjiagou, Dazhu County, Sichuan Province. Now, more

than 2,000 peasant households in the villages of Xinqiao and Paifang (not far from Chenjiagou) have brought an end to their history of oil-lamp lighting. At the same time, electricity supply problems have been solved for some irrigation systems, rice and wheat milling operations, and village-run enterprises in the area.

This hydroelectric plant was built on contract by a reserve military unit. This reserve unit has sent out a construction team, ate and slept on the job site, and struggled for five months to ensure that the power plant would be finished on time.

### Commander Outlines Need for Rapid Reaction Ability

40050689e Beijing JIEFANGJUN BAO in Chinese  
5 Aug 89 p 2

[Article by Guo Jingchun 6753 2529 2504, Tianjin Brigade deputy general commander: "Emphasis Placed on Raising Rapid Reaction Ability"]

[Text] The mobile units of military and police forces constitute the primary force that deals with rapidly occurring incidents of violence and security incidents involving the masses. These types of incidents are characterized by the fact that they almost always develop suddenly, change rapidly, and spin out of control if the opportunity for action is not seized upon immediately. In order to stay in control of the situation and stay on the offensive, speed must be countered with speed, that is, rapid response capability is required. Based on our experience, four points must be grasped firmly.

1. **A plan must be in place ahead of time.** Although we cannot know in advance the time, place, or scope of any incident, some general forecasts can be made. Four different contingency plans should be drawn up based on the brigade experiences in recent years in dealing with security incidents involving the masses, and with rapidly developing violent incidents. They include a contingency plan to deal with major disturbances involving the masses, a contingency plan to deal with counterrevolutionary rebellions or riots, a contingency plan to deal with rapidly developing violent incidents, and a contingency plan to deal with mass disturbances at recreational and sports activities. The contingency plans should clearly establish a leadership structure, combat units, areas of responsibility, principles for dealing with situations, and coordinated action. Communications, vehicles, supplies, and political work must be worked out.

2. **Simplified command procedures.** If command procedures are to be simplified, it is a prerequisite that organs within headquarters and the mobile units be of high quality. That is to say, when headquarters staff and communications personnel are on duty in normal times, they must be very conscientious and mobile units must always be on the alert so that they can respond immediately when called for. On this foundation, as soon as any incident arises, the "one accurate and four rapids" must be achieved as the command system is organized. The

"one accurate" refers to the fact that the situation must be sized up accurately, and there must be clear information regarding the incident's location, nature, scope, and current conditions. The "four rapids" are: Orders must be given quickly, troops must organize and advance quickly upon the scene, division of tasks at the scene must be accomplished quickly, and coordination and deployment must be achieved quickly. As the "four rapids" are being implemented, circumstances with differing degrees of gravity must be distinguished, and there must not be a lot of people separately asking their superiors for instructions. Under emergency conditions, reports should be able to skip over the chain of command and be transmitted directly to top commanders, and these commanders should be able to bypass the chain of command when giving orders. Telephones, radios, and messengers should all be used.

**3. Reliable communications must be ensured.** Mobile units should rely primarily on radio communications. The range of communications must be increased so that communication command can be from top to bottom all the way without obstruction and delay, but also can be carried out at different levels. Commanders must be in direct communication when near the scene, and maintain relay communications when at a distance. When choosing radio equipment, one must look for high power, many channels, portability, and resistance to interference. In keeping with the principles of sure performance and flexibility, each link in the line of communication must be guaranteed, and the network must be divided into distinct nodes. We must equip every squad and section with walkie-talkies, every division with a communications base, and every brigade and detachment with communications sets installed in vehicles.

**4. Vehicles with relatively high-performance equipment are needed.** We cannot equip all our vehicles in the same way. Because mobile units must carry out a wide range of assignments, we must strive as much as possible to equip vehicles to handle conditions in cities, towns, and villages; in avenues and back alleys; and over long hauls and short distances. We must use buses that can carry many people, jeeps that handle cross-country terrain well, and light and maneuverable motorcycles. We must use passenger/freight vehicles to transport special weapons and supplies. When possible we should also make use of armored transport vehicles.

### **Institute Develops Antiriot Vehicle**

40050689b Beijing KEJI RIBAO in Chinese  
29 Jul 89 p 1

[Article by Ji Hongguang 1323 3163 0342: "China Now Capable of Producing Antiriot Vehicle; Equipment Essentially Up to International Level, Departments in Charge Need Not Import Any Longer"]

[Text] Reporters learned recently during a visit to Research Institute 201 of the Ministry of the Machine-Building and Electronics Industry that the institute has recently succeeded in building an antiriot vehicle for

police use which it had been designing. The specialist in charge of this project told reporters that, apart from the Chinese-made chassis presently being used, all the vehicle's technology and equipment is basically on a par with international standards, and can satisfy user demands both in China and abroad.

The antiriot protection-security rotation style armored vehicle, which is called the JG-01, has been designed to meet the demands of foreign users. According to the specialist, this vehicle incorporates features of other vehicles of the same class from around the world and combines them with the strong points and advanced technology of the armored vehicle which this institute had designed for military use. Besides serving the function of transporting police or personnel of other armed organs quickly, comfortably, and safely to their destination where they may patrol or carry out duties involving armed support, it can also serve as an armored medical vehicle, command vehicle, or be used to transport prisoners.

A specialist told reporters that the JG-01 has a speed of 80 kilometers per hour. Its armor can support light arms attack capability, including machine guns. The great majority of the equipment needed by police and security forces is installed inside the vehicle, including light arms, tear gas grenades, and smoke bombs. Each vehicle can transport a maximum of 12 people. As it advances, it can easily overcome and destroy traffic barriers that are present during incidents of rebellion. In addition, it is installed with a gunner's turret that can rotate 360 degrees, which no other such vehicle has. It is also equipped with communications equipment, infrared night vision instruments, a periscope, cameras, video cameras, tape recorders, and loudspeakers. In order to guard against attack by thugs, this antiriot vehicle is equipped with an advanced air conditioning and ventilation system, as well as antipoison, fire fighting, and first aid equipment.

After presentation, concerned departments are preparing to import 10 police antiriot vehicles from abroad in order to guarantee that next year's Asian Games will go off smoothly, as well as to augment the antiriot equipment of the public security organs.

Experts from Research Institute 201 feel that in terms of performance, equipment, and practicality, this police antiriot vehicle, designed and built in China, is basically on a par with foreign products, and in some aspects it surpasses foreign products of the same type. Furthermore, the product's price is clearly lower than foreign products. In addition, the neighboring Factory 618 is capable of quickly producing in quantity and can deliver the goods by the time concerned departments will need them. Therefore, they stress to concerned departments within China that it is completely unnecessary to import this type of police antiriot vehicle from abroad and urge them to save for other purposes the considerable sum of money involved.

**Jinan Military Unit Crime Rate Decreases***40050689c Beijing JIEFANGJUN BAO in Chinese  
3 Aug 89 p 3*

[Article by Xin Fuyi 6580 4395 5030: "Jinan Military Region Logistics Department Crime Rate Decreases for 4th Straight Year"]

[Text] The crime rate among troops under the logistics department of the Jinan Military Region has decreased for 4 years in a row. This is because organs in the logistics department have paid close attention to security work, have not resorted to bluster and high-sounding phrases, and have been willing to work conscientiously.

Cases occurred at a relatively high rate for the Jinan Military District's logistics department before 1984. Since 1985, the logistics department's party committee and its various levels of safety and protection departments have freed themselves from the mountains of documents, endless meetings, and excessive high-level activities, and have used their energy to work hard on fundamental tasks. First, they have investigated warehouses, sentry posts, and hospitals, where the number of cases was greatest. In some instances they took decisive steps, carried out comprehensive rectification, and lowered the crime rate in the two worst areas: warehouses and hospitals. Second, with troop reductions and drastic cuts in the number of guards, they have organized a unit to train dogs for military use. They have provided nearly 100 military dogs for the troops and made up for the insufficient manpower of the guards. Third, they have used several different methods to train security cadres, thereby establishing a unit of security cadres with combat capability. During the last 4 years, this logistics department has solved 100 percent of its cases, and its security cadres have had the highest group scores in two joint training exercises in the military region.

**Fresh Water Supplied to Troops in Southern Islands***40050689d Beijing JIEFANGJUN BAO in Chinese  
1 Aug 9 p 1*

[Article by Liu Xingan 0491 5281 1344 and Fan Juwei 5400 3515 3555: "People of Sanya Conserve on Water Usage, Ensure Water Supply for Soldiers Guarding Spratlys and Paracels"]

[Text] The citizens of Sanya City have conserved on domestic water use in the middle of the summer in order to guarantee a supply of fresh water for the troops patrolling the Spratly and Paracel Islands. The troops

stationed in the Spratly and Paracel Islands each sent telegrams to the people of Sanya to express their gratitude.

Hainan Province's Sanya City, situated in the tropics, has extremely tight water supplies in the summer. Early this year, when leaders from the Hainan party committee and provincial government visited the Navy troops stationed in the islands, the officers and soldiers who bear responsibility for patrolling the Spratlys and Paracels reported the problem of short water supplies on the ships and islands. The leaders from Hainan Province and Sanya City declared promptly that the next time a drought occurs, they will ensure fresh water supplies for the South Sea troops even if it means cutting off the people's drinking water. The weather in Sanya has been hot and dry this summer. The city leaders, with the understanding and support of the residents, directed the appropriate departments to cut off household water supply several times and direct most of the fresh water to the military piers. Highest priority was given to meeting fresh water needs of troops stationed in the Spratlys and Paracels and the needs of the naval ships. When the South Sea defenders learned of this they were deeply moved, and they declared they would prove themselves worthy of the deep affection of the people in the special zone. They swore to defend the fatherland's southern gate. They also stated that they would further carry forward the "save every drop of water" activities in order to lighten the people's burden.

It is reported that, during the lunar new year holidays, a delegation sent from Hainan to convey greetings and congratulations spoke about other measures of support for the Navy, including awarding priority to supplying the daily necessities of South Sea troops; subsidizing the food expenses of the troops, and so forth. These measures are already in place or are in the process of being implemented.

**Officers Placed in Hebei***40050689g Shijiazhuang HEBEI RIBAO in Chinese  
8 Jul 89 p 1*

[Article by Zhang Helin 1728 0678 2651: "Hebei Province Will Accept 3,021 Transfer Officers This Year"]

[Text] The 2-day 1989 Provincewide Work Conference for the Placement of Military Officers Changing Careers came to a close on 29 June in the provincial capital of Shijiazhuang. Hebei Province will absorb 3,021 military officers this year who are changing careers. Six of them came from the division level, 485 from the regiment level, 1,188 from the battalion level, 640 from the company or platoon level, and 702 were technicians.



## EAST REGION

### Anhui Governor Addresses Forum on Enterprises

OW1310061689 Hefei Provincial Service in Mandarin  
1100 GMT 24 Sep 89

[From the "Provincial Hookup" program]

[Excerpts] According to ANHUI RIBAO, after making an investigation of large and medium-sized enterprises in the Hefei area regarding their present conditions and problems and how to bring their key role into full play, Governor Fu Xishou recently discussed outstanding problems facing such enterprises. [passage omitted]

In this connection, five forums were held from 7 to 20 September. [passage omitted] Comrade Fu Xishou attended and addressed the fifth forum, held at the Anhui Printing and Dyeing Mill on the afternoon of 20 September. After stressing the importance of large and medium-sized enterprises, he pointed out that large and medium-sized enterprises are the pillars of the national economy and the main sources of state revenue. Large and medium-sized industrial enterprises in our province account for only 1 percent of its industrial enterprises that practice an independent accounting system. However, their fixed assets and output value and the taxes and profits they turn in to the state account for about 60 percent. [passage omitted]

On outstanding problems facing enterprises, Governor Fu stressed that we must stabilize our policies and deepen reforms. He said the most outstanding problem raised by factory directors is that of the leadership system. It is necessary to unswervingly implement the system of full responsibility of factory directors. A major problem at present is that of the need to strengthen ideological and political work in enterprises. Efforts must be made to resist bourgeois liberalization and to adhere to the socialist orientation in running enterprises. Therefore, while affirming the enterprise law, the party Central Committee has reiterated the political core position of enterprise party organizations. [passage omitted]

Governor Fu pointed out, "A basic principle in running socialist enterprises is wholeheartedly relying on the working class. Our working class is the main force in socialist revolution and construction, and workers are the masters of the country. To effectively run socialist enterprises, it is necessary to fully arouse the enthusiasm of workers and staff, to give full play to their role as masters of the country, and to open up a regular channel for democratic participation and supervision so as to enable them to fully exercise their democratic rights." [passage omitted]

### Xiang Shouzhi Speaks on Study of Marxism

OW0110095189 Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 23 Sep 89

[Text] The 4-day meeting of three-level party committee secretaries of the Nanjing Military Region closed in Nanjing on 23 September. The main topics discussed at the meeting were ways to promote the study of basic Marxist theories and how to strengthen party building. Xiang Shouzhi, secretary of the party committee and commander of the Nanjing Military Region, made a report during the meeting. His report was entitled: "Thoroughly Implement the Guidelines of the 4th Plenary Session of the 13th Party Central Committee and Whip Up an Upsurge of Studying Basic Marxist Theories."

He said, "Practical struggle has made us feel that it is very important to uphold the guiding role of Marxism, and it is imperative for us to study and understand Marxist theories. We should build up a great momentum and enthusiasm for studying basic Marxist theories, make the theoretical study more systematic, and have an accurate grasp of Marxism as a system. We should clarify major ideological issues in view of realities."

Comrade Fu Kuiqing, deputy secretary of the party committee and political commissar of the Nanjing Military Region, spoke on ways to strengthen the leading bodies of party committees.

Some members of the standing committee of the party committee of the Nanjing Military Region attended the meeting. They included Shi Yuxiao, Zhang Ming, Liu Lunxian, Yu Yongbo, and (Wang Tainan).

### Jiangsu Governor Attends Meeting on Party Building

OW1010023289 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 12 Sep 89

[By station reporter Wang Mingsheng, from the "News" program]

[Text] A provincial conference on party building opened in Nanjing today. The meeting is being attended by deputy secretaries in charge of party affairs in all city party committees, directors of the organization departments of all city and county party committees, and responsible comrades of party groups and party committees of all provincial departments and major units directly under the province, totaling some 400.

The main purposes of the meeting are to transmit and implement the CPC Central Committee's circular on strengthening party building and the guidelines of the national conference of directors of organization departments of all provincial, autonomous regional, and municipal party committees; to further carry out the tasks detailed by the 4th Plenary Session of the 13th CPC Central Committee; and to discuss questions about the strengthening of party building.

Chen Huanyou, deputy secretary of the provincial party committee, presided over the plenary meeting today. Gu Hao, member of the Standing Committee and director of the organization department of the provincial party committee, transmitted the CPC Central Committee's circular and the guidelines of the national conference of directors of organization departments.

Pledging to do their utmost to ensure the conference is a great success, the participants said, "We should enhance our understanding of the importance and [words indistinct] of party building and concentrate our efforts on ensuring a good job in party building. We should also earnestly examine the ideological confusion and undoubted influence caused by Comrade Zhao Ziyang's errors in weakening the role and leadership of the party and seriously neglecting party building to make a clear distinction between right and wrong and to thoroughly correct the errors. It is necessary to clearly define the pressing tasks in the current party building and study concrete measures for carrying out those tasks. We should heighten our spirit, enhance our confidence, and work together in promoting the work of party building to a new level.

### Shandong Troupe Stages Play About Confucius

OW0510125889 Beijing XINHUA in English  
1534 GMT 4 Oct 89

[Text] Jinan, October 4 (XINHUA)—A stage play depicting the life of Confucius, ancient China's greatest thinker and educator, opened here yesterday.

The play, which lasts more than 2 hours, was created and performed by the Shandong Provincial Modern Drama Troupe.

It portrays the sage as a man with an insatiable desire to learn, who teaches with tireless zeal and regards wealth and rank as floating clouds, said local critics.

The play is scheduled to be shown next Saturday for participants in the international seminar on the study of Confucius, which is being held at Qufu, the sage's birthplace.

A cultural festival and grand ceremony were held late last month in Qufu to mark the 2,540th anniversary of the birth of Confucius.

## CENTRAL-SOUTH REGION

### Guangdong Finances Public Security With Levies, Fees

40050693a Beijing RENMIN GONGAN BAO in Chinese 22 Aug 89 p 2

[Article by Zhao Xiaogang 6392 2556 0474 and Guo Zheng 6753 6086]

[Excerpt] I. "Spending Money To Buy Public Order": Background and Basis

Simultaneous with Guangdong's economic construction and social development since the advent of reform and the opening to the outside world, predicaments and crises in social order have also showed an accompanying increase.

1. The public order situation has become more serious each day. In 1988, criminal cases throughout the province increased 32.7 percent compared to 1987, and the more serious criminal cases increased 75.7 percent. In proportion to the population, the rate of cases instituted in Guangdong did not exceed 5.8 per 10,000. Internationally, this is still considered low. It is obviously lower than Hong Kong's 140 per 10,000, Singapore's 163, and Taiwan's 35. However, with regard to violent crime, Guangdong in 1988 had 0.07 murder cases instituted per 10,000 people. This approaches Japan's 0.14 per 10,000 and the GDR's 0.08. The rate of robbery cases, including snatchings, instituted was 0.34 per 10,000, higher than Japan's 0.15.

Guangdong criminals especially are in the distinct position of being subjected to outside persuasions and influences. Comrades at the Shenzhen municipal public security bureau have summed these up in the following five words: "the black" (the persuasions of underworld organizations); "the false" (counterfeit currency and merchandise); "the yellow" (obscene videos, films, and books); "the poisonous" (drug addicts and dealers); and "the illicit" (smuggling and illicit trade). In a survey of 10,000 people conducted by the Guangdong Provincial Academy of Social Sciences and the provincial statistical bureau, it was clear that the rise in prices and public order are the social issues about which the people are most concerned.

2. The police force is seriously understaffed and its members overloaded with work. Relative to its population, Guangdong clearly has a lower proportion of public security cadres and police officers than other countries around the world allocate to their police forces, which is commonly a 1:500 ratio and for the cities 1:200 or 1:300. Guangdong is even further away from Hong Kong's 1:169 ratio. Most areas in Guangdong's Pearl River Delta have already been urbanized or are about to be. The rapid growth of industrial enterprises is pushing up the expansion of cities and towns and increasing population. We are even seeing temporary residents outnumbering permanent residents. If the police are allocated according to the permanent resident population, then the disparity is even greater. From the standpoint of the work for which they are responsible, this disparity is extremely obvious.

Even basic-level cadres and police rotate round the clock without any time off. Moreover, during "attacks," "struggles," "improvements," and "rectifications," criminal cases have increased month after month. If we cannot once and for all find a way out, it is hard to think that we can turn the situation around.

3. Guaranteeing resource for public security has been rather lacking, and it has been hard to keep up appearances. Everyone knows that funds for public security organs are insufficient and that their equipment is outdated. It is still this way even though Guangdong is a preeminently wealthy region. Nearly every unit has to rely on solicitation to raise funds and to pay the expenses of handling cases. Criminals' use of high-speed automobiles and radios to keep in touch while committing crimes is already common practice. Some have even provided themselves with equipment for rescue and medical treatment. In the special zones of Shenzhen and Zhuhai, there are some branch bureaus where even on-the-spot investigation equipment is difficult to come by, and except for a few pieces of bulletproof clothing, other protective gear is completely lacking. Bureau chief Zhu [2612] of the Luohu branch bureau in Shenzhen says that progress now being made in protective gear is being countered with the even more clever tricks of the criminals. We still catch the mentally deficient criminals; the wiser ones we cannot cope with.

Areas of rapid economic development are also areas where there is a high concentration of criminal cases instituted. A fifth of the murder cases in Guangdong Province in 1988 were concentrated in Guangzhou. This makes clear that areas where there are an accumulation of wealth and a dynamic economy are areas where there are many types of criminal activities. It also makes clear that these areas should be obligated to make a greater investment from their enhanced national income in improving public order. Otherwise, the damage will be tremendous. In addition, the change in the sense of values that came with the development of a commodity economy diluted people's social consciousness and weakened their sense of social responsibility. The impetus of an overheated economy caused people to focus their attention on material interests and daily necessities. As a result, on the one hand this created the false perception that public order problems were not very serious, and on the other it weakened people's enthusiasm and support for public security work. The past methods of relying on administrative orders and on organizations to mobilize their members to promote mass public security work present some difficulty now.

We are thus facing the contradiction whereby the unfolding of public security work is out of step with social and economic development, the contradiction whereby integrating public order work into the community has reduced people's sympathy for this type of work, and the contradiction of remaining passive to attacks while developing a public security strategy. On the basis of this situation, Guangdong comrades have put forth a tentative plan for "spending money to buy public order," and they have adopted diverse means suitable to local conditions to carry this out.

## II. The General Methods of "Spending Money To Buy Public Order"

From our investigations, we discovered that "spending money to buy public order" has rather broad implications and embodies various characteristics and forms.

1. Recruiting local people's police to collect money from local financial sources. Foshan County has already recruited 1,167 local people's police, 32.3 percent of its public security cadres and policemen. Nanhai County, which recruited 512 police, and Shunde County, which recruited 280, were, as a result, able to expend no less than 1.5 million yuan and 840,000 yuan each year, respectively.

2. Money collected from the people in the community should be used for the people in the community. Throughout Guangdong there are now 150,000 full-time joint defense unit and patrol unit personnel, nine times more than the existing police force has. In September 1985, Sanshui County began to set up in 11 towns throughout the county 11 professional public security units made up of 377 people. Their living together, wearing the same clothing, doing the same work, and receiving the same pay had a large impact on how they safeguarded public order. The Shunde County government has stipulated that, as a levy for public security administrative expenses, each year every inhabitant of the cities and towns in the county is to pay 1 yuan, every industrial and agricultural production department, 0.07 percent of its output value, and every trade department, 0.03 percent of its total sales. The Luohu District "three protections unit" (factories, shops, homes) in Shenzhen already has more than 1,000 personnel. Each person receives a monthly salary of more than 250 yuan, not including the clothing allowance. Annually, this comes to more than 3 million yuan. The entire amount is collected from the community.

3. Setting up nongovernmental companies to ensure public security. Guangdong is the first province in the country to establish nongovernmental companies to ensure public security. Since first being set up in Shenzhen in 1983, they have seized more than 500 criminals, and in the more than 200 units and places of duty to which these companies have provided their service, only one criminal case has occurred.

4. Export-oriented economic departments of the "three receives and one compensation" type (receives materials for processing, receives styles for processing, receives parts for assembling, and compensates trade) are implementing the methods of self-management to guard their enterprises, taking the road of "letting a hundred enterprises invigorate themselves, letting a hundred enterprises manage their own public security." Baoan County public security bureau, in setting up an industrial district substation in an area where "three receives and one compensation" enterprises are concentrated, proposed a program of "spending money to buy public order," with each enterprise unit contributing a share to the expense of having professional public security work directed by public security organs.

5. Instituting compensation for providing administrative services to the populace. In Zhuhai Municipality, all temporary residents who are issued temporary resident cards, must, except for the cost of producing the cards

themselves, pay for the public security administrative expenses involved. Each person engaged in business must pay 2.50 yuan a month. Others must pay 1.50 yuan a month.

6. Zhuhai Municipality has established a "fund for rewarding conspicuous valor." Each year the municipal government specially allocates 1 million yuan to be used for rewarding and compensating citizens and their families who have been injured or killed while combating criminal acts. [passage omitted]

### Model for Restructuring Hainan Provincial Government

40050598a Zhengzhou LINDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese  
No 5, May 89 pp 34-35

[Article by Dong Shujun 5516 2885 0689, member of the Organization Department of the Inner Mongolia Autonomous Regional Chinese Communist Party Committee, in the 'Leadership in Special Zones' column: "Small Government, Big Market—A Model Scheme for Restructuring the Hainan Provincial Government"]

[Text] In 1988, as a special project, some of the students in the CCP Central Committee Party School investigated the restructuring of the Hainan provincial government. After Hainan became a province in September 1987 an effort was quickly launched to extensively restructure its political system based on the new model of "small government and greater society." The intention was to apply the principle of "administrative simplification to improve results" by substantially retrenching overlapping organizations and bloated staff; to work according to the rule of "coordinated action" in making the "three decisions" (determining the functions, setup, and plan) for new provincial-level units; to completely redirect administrative companies and the specialized economic management sector along a new path based on the principle that we should "transform consumption into production"; and to gradually reallocate the flow of work in line with the precept of "transforming bureaucratic management into popular management." We were delighted to find that the restructuring under way in the move toward "small government and greater society" is now bringing new changes to Hainan.

However, further investigation revealed that many problems still plague the restructuring effort in Hainan: 1) Organizations at the provincial level are still redundant and overabundant. Many provincial departments apply the "three decisions" on three separate levels: under the department is the division, and under the division is the section. In some departments there is even a four-level structure: the department, the bureau, the division, and the section. Some units cling to gradations: There may be as many as 19 different division offices, under which there are 76 additional sections. In some units the auxiliary administrative posts constitute 44 percent of all posts (though regulations stipulate they should not exceed 15 percent). 2) The organizational facilities in

many departments still take on certain tasks that are either outside their proper sphere of management or that they cannot handle adequately or completely. For example, many retain direct supervision over enterprise personnel, finances, goods, and operating activities, and correspondingly have set up additional personnel departments, economic management departments, and so forth. 3) It is almost as if there were one organization with two signs: One points downward toward administration, and one points upward toward funding.

All these derive from one source: Because reform revolves around the political organization system alone, there is no coordination between reform and the more basic economic organization system, nor do the two progress in step with each other. And the emergence of this tendency is a direct result of the fact that the "small government, greater society" model of reform was both shallow in depth and narrow in scope. Consequently, to resolve the above issues we simply cannot adopt a method which treats the symptoms but not the disease. Rather, we must proceed with a complete, comprehensive "small government, greater society" model.

We feel that, with the overall goal of "socialization" in mind, restructuring in Hainan ought to fuse the political with the economic in the smelter of "small government and big market."

#### 1. The Inevitability of "Small" Government and "Big" Market

The coordination of a "small" government with a "big" market, and the progress of the two in step with each other, is an inherent requirement of modern systems theory. Structurally, society is an enormous system. Although the political and economic systems of organization each have their own characteristics, they are nevertheless intimately related. This is particularly evident in their resonant effect on the overall operation of society. The results of modern social economic research indicate that, of all the functioning factors in economic development, noneconomic factors play a greater role than economic factors themselves. This kind of internal correlation and consistency within society itself strengthen the correlation and consistency in the overall content of social reform. Consequently, when we carry out a restructuring effort we cannot change only this and not that, or change first one thing and then the other: We must conduct reform in a coordinated fashion.

This simultaneous progress toward "small" government and "big" market and the coordination between the two also exemplify the experience of East European socialist nations. Hungarian leaders believe that, without political restructuring, economic restructuring cannot be intensified. Economic reform inevitably ushers in profound political changes. Yugoslavia has not only surmounted traditional political corruption, it has also resolved problems in its traditional economic structure—reforms in these two areas proceeded together. Reform in Poland

during the 1980's has been characterized by simultaneous economic and political restructuring. The 27th CPSU Party Congress proposed a "thorough reform" of the economic system and then, when the issue of political restructuring was raised subsequently, it stressed that the two should be coordinated.

## 2. The Relationship Between a "Small" Government and a "Big" Market

First, the criterion for streamlining the political system must be the development of a perfect market. The assertion that "big government" must become "small government" provokes no dissent. The issue lies in the standards used to define "small government." Some comrades say that "the Hainan provincial and party government has a smaller complement of authorized personnel, something rare nationwide, and this makes it a 'small government' truly worthy of the name." We feel otherwise. As everyone knows, the existing setup in all Chinese provinces is huge, even unwieldy, beyond all proportion. A "small government" for which the criterion is the size of decrease in "big government" is not really a "small government" at all. To differentiate this "small government" from "big government" is akin to the pot calling the kettle black.

The real standard for distinguishing "small government" is market requirements. A true "small government" is inconsistent with market regulation. Consequently, only if we perfect the market can we know how many affairs the government should handle, and only then can the government determine how many organizations it should encompass and what complement of personnel it needs.

Second, the transformation of government functions must be predicated upon the development of a complete market. If the established mechanism highlights the "big market's" quantitative requirement for a "small government," it should be changed to highlight the "big market's" qualitative stipulations for "small government." If there is no developed market to act as a base, the transformation in government functions will almost inevitably be like pasting a new label on old goods—the change will be cosmetic rather than substantive. Even if the change is made temporarily, nevertheless we may—intentionally or unintentionally, directly or indirectly—continue to follow the same old disastrous path and resume our past behavior. Clearly, only if we develop a strong "big market" can we have a "small government" that preserves both quality and "quantity."

## 3. The Relationship Between "Small" Government and "Greater" Society

Fundamentally speaking, "greater society" does not come under the category of a system of organization. It determines, with respect to the content and purpose of social self-management and self-development, what the carrier and rules of the actual system of organization will be. As a result, "greater" society—that is, "socialized" society—is both an orientation and a goal. "Small government," on the other hand, because it guarantees

social self-management and self-development, is a system of organization—that is, it is one means of securing the goal of a "greater society."

A "greater society" and a "big market" are important, of course, but "small government" is absolutely indispensable: it is a "referee," a "traffic cop," and a "night watchman." If the "big market" supplies a competitive environment based on equal footing, then "small government" is the able keeper of this "equal environment." Figuratively speaking, the relationship between "greater society" and "small government, big market," is just like the relationship between the giant and his two hands, one of which is "visible," and the other "invisible." Therefore, "small government" and "big market" are both very important, indispensable in fact, to a "greater society."

From this it is obvious that the goal of restructuring is to establish a "greater society," and that the substance and course of restructuring lie in readjusting the power and redistributing the functions of the "invisible hand" of the "market" and the "visible hand" of "government." That is, we must completely eradicate "deceit" in government and "idle hands" in the market, and establish a harmonious new state of intimate economic and political coordination, with the "visible hand" subordinate to the "invisible hand."

## SOUTHWEST REGION

### Yunnan Publicizes Offices for Reporting Government Corruption

40050676a Kunming YUNNAN RIBAO in Chinese  
21 Jul 89 p 1

[Text] In order to fully rely on the masses, truly establish honest government, and effectively punish corruption, the Yunnan leadership group for the establishment of honest government has decided to publicly announce the names of organizations and events about which complaints by the people have been lodged with provincial leading bodies and individuals such as supervisors, discipliners, and law enforcement personnel, thereby facilitating the uncovering and reporting by cadres and people at every level in society of every kind of corrupt behavior among party and government workers. To address the problem of increased lodging of complaints by the people, the individuals concerned will conscientiously deal with the problem in a timely fashion, and furthermore will thoroughly protect the legal rights and legitimate demands of the petitioner. Each organization that receives complaints will keep the signer's identity a strict secret.

#### 1. Chinese Communist Party Yunnan Provincial Party Committee General Office, Visitation Desk

Scope of complaints: Resistance and opposition among party organizations and party cadres to the party Central Committee's party line, plans, and policies, and other serious infractions of party rules, economic violations of the law, and impure behavior.

Office address: Mile Temple, No 2, Provincial Party Committee Compound

Reception address: The reception room on the south side, outside the compound's main gate

Complaint line: 25606

2. Yunnan Province People's Government General Office, Visitation Desk

Scope of complaints: Government system subordinate units and workers involved in malfeasance, dereliction of duties, retaliation, and other violations of law and discipline.

Office address: Mt Wuhua Provincial Government

Reception address: The east reception room at the entrance to the Provincial Government

Complaint line: 24918

3. Chinese Communist Party Yunnan Provincial Disciplinary Committee, Office of Appeals and Complaints

Scope of complaints: Party department problems with organization members and cadre leader party members breaking party discipline, and party members of government departments and individuals involved in enterprises, and party affairs cadres with party discipline problems. Of particular importance are problems of discipline violations among party organizations and cadres at the county level and above.

Office address: Mile Temple, No 2, Provincial Party Committee Compound

Reception address: Provincial Disciplinary Committee reception room outside the main gate on the south side.

Complaint line: 27047

4. Provincial Supervisory Office, Center for Complaints

Scope of complaints: Violations of government regulations by international companies, their employees, and leading cadres appointed by executive departments of government who are involved in enterprises. Of particular importance are violations of discipline by leading cadres in every government office as well as cadres appointed to government at the county level and above.

Office and reception address: Workers New Village No 118, Extension No 1

Complaint line: 42623. There are complaint boxes at the provincial government, the provincial government consultative office, the provincial supervisory office, and the provincial bureau of electricity, and more recently at public parks and the Dongfeng department store.

5. The Provincial Procuratorate, Center for Complaints

Scope of complaints: Violations of criminal law such as corruption, embezzlement of public funds, bribery, tax

evasion, dereliction of official duties, interrogation by torture, false accusations and trumped up charges, illegal arrests, retaliatory trumped up charges, serious accidents arising from negligence, and economic and political cases that constitute crimes.

Office and reception address: Shulin Street, Provincial Procuratorate

Complaint line: 28678. There are complaint boxes at the provincial party committee, the provincial government, the Standing Committee of the provincial People's Congress, and the provincial procuratorate.

6. Provincial Auditing Office, Center for Complaints

Scope of complaints: Violations of financial laws and regulations by individuals in every group, organization, and in people's industrial enterprises, such as withholding payment of taxes, profits, and other income; using false reports and claims and fraud to obtain government financial allocations and allowances; misusing national property and changing budgeted funds to unbudgeted funds; drawing on national treasury funds and drawing on and squandering national assets; and unauthorized increases in pay or allowance.

Office and reception address: Mt Wuhua Provincial Government

Complaint line: 25880. There is a complaint box at the main entrance to the provincial government

7. Provincial Bureau of Industry and Commerce, Center for Complaints

Scope of complaints: Making profits buying and selling important production materials and scarce commodities, selling inferior commodities under false pretexts, cheating people, making profits renting or selling economic contracts, business permits, and bank accounts; exceeding the scope of managerial duties and failing to uphold commercial management policies; embezzlement and accepting bribes; and blackmail and extortion.

Office and reception address: Dongfeng West Road, Nanqiang Guesthouse, West Building, No 214

Complaint line: 34504

8. Provincial Tax Bureau, Center for Complaints

Scope of complaints: Tax evasion and other violations of national tax policy, laws, and regulations; tax bureau cadres using taxes for personal benefit; accepting gifts and bribes; embezzlement of tax revenue, and any individual overstepping his authority or evading taxes.

Office and reception address: Xinminhang Road Provincial Tax Bureau

Complaint line: 29396, and request the supervisory office

9. Provincial Government Office of Tax Collection, Financial Affairs, and Pricing Inspection, Center for Complaints

Scope of complaints: Seizing, evading payment, and holding back taxes and tax revenue owed to the national government; making unauthorized purchases of illegal, controlled, or not-for-sale commodities, indiscriminately issuing money, arbitrarily raising prices, arbitrarily collecting fees, passing on high prices and

engaging in profiteering, and other violations of national tax collection, financial, and pricing policies, laws and regulations.

Office and reception address: Mt Wuhua Provincial Government New Building, Provincial Office of Finance

Complaint Line: 37750. There is a complaint box at the provincial government main gate.

Public Announcement

**DPP Faces Intraparty Power Struggle**

40050595a Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 234, 1 Jul 89 pp 59-61

[Article by Li San-wei 2621 0005 3956: "The Intraparty Struggle of the Democratic Progressive Party"]

[Excerpt] [Passage omitted] The Democratic Progressive Party [DPP] of Taiwan consists of two major factions: one is "Pan-Formosa"; the other, "Pan-New Trend." The formation of these two factions must be traced back to the period of MEILI TAO TSA-CHIH SHE [FORMOSA MAGAZINE]. In 1979 the opposition in Taiwan gathered for the first time under the auspices of MEILI TAO TSA-CHIH SHE, but they were wiped out in the "Kaohsiung Incident." After the "Kaohsiung Incident," a rift appeared in the opposition, and a group of lawyers and young political activists who surfaced after the "Kaohsiung Incident" began to rise. The only means of propaganda for the opposition at the time was magazines, so these young political activists all worked outside of parties for opposition magazines. Some founded a magazine called XIN CHAO LIU [NEW TREND], so they are referred to as the "New Trend Faction."

The major characteristic of the New Trend Faction is its style as a Leninist vanguard party. They believed in the theory of Taiwan independence, contending that the independence of Taiwan should be the highest goal of democracy movements in Taiwan. They claim that Taiwanese are not afraid to die and that they want to drive away the Kuomintang—the outside political power. They have extremely strict demands on the purity of members. According to their logic, "moral" equals "Taiwan independence," and "Taiwan independence" equals "pure opposition." According to such standards, they waged "the movement to criticize Kang" in 1982 when a certain important opposition figure was imprisoned. This later caused Kang Ning-hsiang [1660 1337 4382] to lose the election for Legislative Yuan. They also criticized and denounced other public officials at the time. In addition to using "purity" to criticize and denounce others, this faction also took over opposition organizations by first becoming a parasite. For instance, in 1983 editors of opposition magazines organized the Editors Association, which was taken over by this faction in the following year. Since it displayed great power of destruction, this faction became well known among opposition circles, and public officials were terrified by the sight of it.

In addition to its great killing power, the New Trend faction was very effective in organizational development. Due to the support of the "Alliance for the Independence of Taiwan in the United States" and the Presbyterian Church of Taiwan, it did not lack basic financial resources. Because of this, it vigorously developed organizations in all areas of Taiwan, which became its most solid foundation. So a "pararevolutionary" political group for the independence of Taiwan began to emerge officially.

At the end of 1986, the Democratic Progressive Party was established. At the time, the DPP was disorganized and divided. Since the New Trend Faction had many followers, it took advantage of the situation and entered the DPP Central Committee. With the power of the party in hand and by maneuvering power, it managed to win over Jiang Pengjian [3068 7720 1017] who became the first chairman of the DPP. In the following year, Yao Jiawen [1202 0857 2429] became chairman of the party. Both Jiang and Yao are considered to be on the side of the New Trend Faction. In other words, in the first 2 years after the founding of the DPP, the entire party apparatus of the DPP was controlled by the New Trend Faction. There are two advantages to controlling the party apparatus: One is that the party's propaganda machine, MINCHIN PAO [NEWSPAPER OF DEMOCRATIC PROGRESS] may be turned into a faction resource and used to advocate the idea of Taiwan independence. The other is that the power of the faction may be expanded among the masses through this. It was during this 2-year period that this faction expanded rapidly. Other factions of the DPP, including the Kang faction, had been reduced to minor factions.

As for other people involved in MEILI TAO TSA-CHIH SHE, they could not make a stand against it because of the absence of actual leaders. Taking advantage of this power vacuum, the New Trend Faction tried many times, but failed to change the original program of the DPP and to make it a political party for the independence of Taiwan.

Since the New Trend Faction waged intraparty struggles and deliberately suppressed other people within the party, the situation suddenly changed after the DPP elder Huang Hsin-chieh [7806 0207 0094] was released from prison. Huang Hsin-chieh was the leader of the Formosa period and was considered the actual leader of the Pan-Formosa Faction. After he got out of prison, the Formosa Faction, which was suddenly revived after 2 years of suppression, prepared to nominate him as chairman of the party, thus causing a serious confrontation of two factions. In the second half of 1988, the relationship between the two factions deteriorated increasingly. In November, after fierce and explosive competition, Huang Hsin-chieh was elected the third chairman of the DPP. The New Trend Faction retreated in defeat.

Since Huang Hsin-chieh became chairman of the party at the end of 1988, there have been numerous cases in which the two factions kicked each other under the table. After it lost control of the party, the New Trend Faction began to develop in two directions—social movements and the movement for Taiwan independence. The Formosa Faction considered the all-round reelection of the national assembly its basic stand. Since Chiang Ching-kuo had died, there was nothing to be afraid of in Taiwan. During this period, the only two things that stood out in the political spectrum of Taiwan were the movement for Taiwan independence and violent conflicts, which were both closely related to the New Trend



Faction. The ties between the New Trend Faction and the Presbyterian Church and the "Alliance for the Independence of Taiwan in the United States" are getting closer and closer. Besides, this pararevolutionary faction seems to believe in the "theory that conflict is above everything." They are good at getting involved in mass movements and causing confrontations between the police and the people. They also think that the masses can be mobilized only through violence. For instance, "the 20 May agricultural transportation incident" in 1988 was a masterpiece of the New Trend Faction.

In addition to pushing politics in the two directions of a Taiwan independence movement and violent conflict, the New Trend Faction has changed its strategy since the beginning of 1989. At the end of 1989 there will be the first election since Chiang Ching-kuo's death. In the past, this faction always attacked the people's representatives of the DPP, saying that they were only scrambling for "chicken bones." But now that it has realized that once it lost control of the party it must go all out to get it back, it has decided to officially enter the election. In other words, the previous survival logic of "parasitic growth" used by the New Trend Faction cannot be used continuously, for it has been seen through after many uses. Besides, because its confrontation with the Pan-Formosa Faction is getting increasingly serious, dependence is no longer feasible. It must display its total factional strength and march toward the election. Consequently, the relationship between the New Trend and the Pan-Formosa Factions had become more intense since the beginning of 1989. In late May it finally exploded. It was detonated by the following incidents:

1. The self-immolation of Cheng Nan-jung [6774 0589 2827]. Cheng Nan-jung was not a member of the DPP, but was on the periphery of the New Trend Faction. Cheng Nan-jung burned himself and became the first martyr of Taiwan independence as well as a political asset for the New Trend Faction. But as far as the Pan-Formosa Faction is concerned, this person's death is a knotty issue because neither was he a member of the DPP nor was his idea of Taiwan independence a belief of the Pan-Formosa Faction. Therefore, on the day of Cheng Nan-jung's death, Huang Hsin-chieh's expression was indifferent when he was interviewed by reporters. Huang Hsin-chieh's attitude made the New Trend Faction angry, which eventually evolved into an incident in which Huang Hsin-chieh scolded a major figure of the New Trend Faction and that person smashed a glass in anger.

2. Some young theoreticians in the Pan-Formosa Faction think that the simplified method of the New Trend Faction, which discusses Taiwan's future in terms of Taiwan independence, morals, and 100-percent purity, reeks of rich fascism, but it has the instigating effect of "simplicity is good" on the masses of the DPP who lack political observation and introspection. Based on this, these young theoreticians wrote and compiled a pamphlet, *To the Road of Ruling Government* and formed the strategy of "surrounding the central government with

local governments." In other words, they think that the DPP should seize local political power by focusing on the elections of county and city mayors in Taiwan during the election at the end of 1989. If they succeed, they will be able to exert greater resistance against the central political power than the Legislative Yuan. The Pan-Formosa Faction has made a relatively rational analysis of its own political views and strategies and has, for the first time, made profound criticism of the stand of the New Trend Faction. This has, of course, expanded the front of struggle and intensified the relationship between the two sides.

3. The complete break off of the relationship between the New Trend Faction and Chu Kao-cheng [2612 7559 2973]. Chu Kao-cheng, who rose to stardom in recent years in Taiwan, became Taiwan's "first battleship" because he was brave to resist, his performance was fearless, plus he has a PhD from West Germany. Chu Kao-cheng in essence believes in the theory of "self-determination" and rejects both ideas of reunification and independence. He thinks that a certain degree of dialogue should be developed between Taiwan and the mainland. His view is actually very "practical," but as far as the people of Taiwan independence are concerned, he and his ilk belong to the "faction of reunification." Chu Kao-cheng is the only one in the DPP who dares to fight the Taiwan independence group. Some time ago at a DPP meeting, Cheng Nan-jung slapped Chu Kao-cheng in the face and said: "I slap you on behalf of Taiwan people" which was the most typical way of thinking for the New Trend Faction. Chu Kao-cheng was furious and beat Cheng Nan-jung to a pulp on the spot. Therefore, bitter and deep-rooted hatred began to appear between Chu Kao-cheng and the New Trend Faction. The New Trend Faction attacked Chu Kao-cheng on many occasions. After Cheng Nan-jung burned himself, one of the elegiac couplets they put out for him read, "a martyr is born and a battleship is sinking." The word battleship referred to Chu Kao-cheng, who is known as the "first battleship."

To bring down the number-one enemy, Chu Kao-cheng, who is very popular now, one must develop his territory—Yunlin County. So in recent years the New Trend Faction used much energy to develop its own party members in Yunlin County, hoping to eliminate Chu Kao-cheng in the preliminary election within the party. Chu Kao-cheng has always been an elitist who does not take the masses seriously. He thinks that it is silly to drag in more party members and that democratic politics should be "competition for ideas" not "competition for a larger number of people." Because of this, he has paid no attention to the mass work in Yunlin County. But in June 1989 Huang Er-Hsuan [7806 1422 3872] of the New Trend Faction announced that he will run for the Legislative Yuan in Yunlin County, obviously meaning that he wants to compete with Chu Kao-cheng and is well prepared. The chances that Chu Kao-cheng will win the preliminary election within the DPP have been reduced substantially due to the calculation of the New Trend

Faction, so Chu Kao-cheng is beginning to get angry. He has begun to openly denounce the New Trend Faction as the "malignant tumor," "AIDS," "historical leftovers," and so on of the DPP.

There are reasons why the Pan-Formosa Faction must support Chu Kao-cheng in his break with the New Trend Faction: 1) Chu Kao-cheng is a brave warrior of the DPP and the only one who is able and dares to criticize the New Trend Faction. If Chu Kao-cheng is defeated by the New Trend Faction, there will be one less line of defense as far as the Pan-Formosa Faction is concerned. 2) Chu Kao-cheng enjoys a high reputation in Taiwan society. If he is defeated within the DPP, the reputation of the DPP will be seriously affected. Since the New Trend Faction is calculating, the Pan-Formosa Faction must provide extra support. Because of this, the chairman of the DPP called a meeting of 40-plus major figures of the Pan-Formosa Faction on 15 June to give open endorsement to Chu Kao-cheng. This further worsened the confrontation between the two factions.

Huang Hsin-chieh openly supported Chu Kao-cheng and mobilized the whole faction to do so, showing that the entire faction of Pan-Formosa was really fed up after being patient for such a long time. Since he became the chairman of the DPP, Huang Hsin-chieh has been constantly attacked by the New Trend Faction. The relationship between the two factions has deteriorated to the point that they are almost incompatible. At the central Standing Committee meetings of the DPP, central Standing Committee members of both sides always attacked each other viciously and totally ignored party affairs. If this continues, the possibility of the Pan-Formosa Faction in its parasitic existence being annexed will increase each day, so Huang Hsin-chieh has decided on "breaking off."

However, since the two factions of the DPP are enemies under the same roof, they are always planning to force the other side out. The one that is forced to get out must suffer tremendously because it has to organize a new party. This is why they always put pressure on the other side when they are in control of the party, whereas the other side can only put up with it. In the 2 years after the founding of the DPP, the New Trend Faction tried their best to suppress the Pan-Formosa Faction. Now that the Pan-Formosa Faction is in control of the party, it no longer tolerates the New Trend Faction and has begun to launch attacks, whereas the New Trend Faction can only begin to assume a low profile.

Since Chu Kao-cheng began to attack the New Trend Faction, Pan-Formosa announced complete support and Chu himself wrote a newspaper article openly denouncing the New Trend Faction; the New Trend Faction has also made announcements to fight back, but most of them are in self-defense. However what is noteworthy is that it seems that the Pan-Formosa Faction was prepared from the very beginning not to give in this time and it will probably continue to press on. It is very hard to tell how the New Trend Faction will react

from now on. Since the two factions were as incompatible as water and fire in the past 6 months or so, the split between the two factions is inevitable as far as structure is concerned. Time is probably the only variant that must be considered. After all, 1989 is a year of general election. Splitting before the election is bound to hurt both factions. [passage omitted]

### KMT Election Tension Leads To Unrest, Withdrawal Threats

40050699a Taipei TZULI WANPAO in Chinese  
15 Aug 89 p 2

[Article by Wang Geyi 3769 9459 5030]

[Text] "More than 300 KMT [Kuomintang] members in Hualian County are handing in their party cards in preparation for withdrawing from the party to protest the party Central Executive Committee's unfair handling of nominations!"

"Supporters of Jiayi County's Chen Shiyong [7115 6624 1661] have threatened to leave the party en masse if central party headquarters does not nominate Chen, who was the winner of the primary election, and hold free elections. Chen is also considering leaving the party."

"Li Zongren [2621 1350 0088], KMT Central Policy Committee Deputy Chairman and member, excitedly declared yesterday that the party had forced him into an impasse and that, if it did not nominate him to run for the legislative committee, he would without hesitation completely withdraw from the party elections."

"Yesterday over 1,000 Miaoli County party members, bringing almost 10,000 party membership cards, gathered at the front door of central party headquarters to protest publicly that Lin Zhengxiong [2651 2973 7160], county party headquarters committee chairman, is the specialist making up the ballot. They demanded that the party Central Executive Committee investigate the real situation concerning the primary election and postpone public announcement of the nominees, otherwise, they would all quit the party."

"Supporters of some of the nominees from Penghu, Pingdong, and Taichong are reportedly dissatisfied with the party Central Executive Committee's attitude toward the nominating process and are mulling over their resignations from the party."

For the last few days, Taiwan has witnessed a wave of unfriendly criticism of its ruling party, resignations from it, and opposition to it. In the wake of the KMT's list of nominees, which is to be publicly announced tomorrow, the clamor of some candidates' dissatisfaction has in the last few days reached its zenith with regard to the results of the primary elections and the arbitrary decisions made by various party headquarters concerning the nominating process. The vehement statements and actions concerning withdrawing from the party, burning

party cards, withdrawing from the election, and terminating the election have, according to a large number of media reports, become a source of pressure for the KMT central nomination, examination, and verification committee and for various staff units. In addition, some candidates, attempting to take advantage of this latest opportunity, are going on the offensive with threats and psychological tactics in an effort to reverse their own unfavorable standings.

According to disclosures by those within the KMT, the primary elections, which were implemented for the first time, have certain systemic problems that require urgent review and improvement. However, party headquarters is extremely perplexed by the eagerness of people in the last few days to withdraw from the party. People concerned are convinced this is nothing more than an understandable and normal reaction on the part of some of the candidates. Nevertheless, the continuing occurrence of groups of party members turning in party cards and withdrawing from the party is causing anxiety about the cohesiveness and their reaction. Even Li Zongren, who ordinarily has been devoted to the party and who in the Legislative Yuan makes every effort to defend the party, dares to turn against the party. This unusual antiparty agitation certainly deserves close attention.

Actually, the antiparty agitation of the last few days on the part of KMT candidates and their supporters is a continuation of their residual dissatisfaction with the primary election system. Especially since the primary election balloting within the party was concluded, the various levels of party headquarters and the central nomination, examination, and verification committee acted completely at their own discretion in deciding how to handle a number of cases. They arbitrarily accepted or rejected and made changes in nomination decisions using various ways to justify themselves so that, when the primary balloting took place, they were able to win a high vote through these high-handed methods. Naturally, these motives created dissatisfaction and protest.

On the other hand, the current predicament is still not clearly understood. Some candidates now know that it is impossible to be saved from their plight, and this contributes to an unstable situation. Seeing the central nomination, examination, and verification committee about to publicly announce "the prizes" tomorrow, they will not hesitate to seize this last opportunity and risk breaking with the party or betraying it. They will use intimidation and threats in their attempt to force the party to give in. They are considering the opportunity offered by the nominations and the election preparations to launch a psychological offensive.

This succession of antiparty incidents is, in effect, causing the ruling party repeatedly to confront new losses and frustrations concerning internal party cohesiveness.

### DPP Suggests 'IQ Test' for Aging Assemblymen

40050699b Taipei TZULI WANPAO in Chinese  
10 Aug 89 p 2

[Article by Guo Shumin 6753 3219 2404]

[Text] Today in the National Assembly's constitutional government deliberative committee, Democratic Progressive Party [DPP] assemblymen demanded that at next year's presidential election only the 84 National Assembly representatives elected for a fixed term from Taiwan have the right to vote. At the same time, they handed out copies of "1989 IQ Tests for Elderly Lawmakers" to be used to test their intelligence.

Today's announcement by the DPP assemblymen pointed out that the "elderly lawmakers," who were elected more than 40 years ago, have suffered serious mental and physical deterioration and have long been out of touch with public opinion. It declared that their refusal to retire under the present regulations granting liberal benefits has become a "national crisis" and that it is the major stumbling block to Taiwan's democratization.

The DPP assemblymen have therefore proposed that only the 84 National Assembly representatives elected from Taiwan for a fixed term have the right to vote in next year's election for a new president and that the remaining "elderly lawmakers" who were elected for indefinite terms act only as nonvoting members. At the same time, they appealed to President Li Denghui to declare an end to the period of mobilization and rebel suppression, to abolish the provisional articles, and genuinely to resume constitutional government.

In addition, the DPP assemblymen outside the chamber handed out a copy of the 1989 intelligence test for "elderly lawmakers" which listed six questions it wanted the senior assembly representatives to answer. These were: 1) What does one plus two plus three equal? 2) If one frog has one mouth, two eyes, four legs, and jumps into the water with a splash, then two frogs have how many mouths, how many eyes, how many legs, and splash how many times when they jump into the water? 3) How many times can the president be reelected according to the Constitution? 4) What are the names of the presidents who have served after the Constitution became effective? 5) What session of the National Assembly is this? 6) When did you participate in an election to the National Assembly and what votes did you receive?

### Schools Seen as Factor in Juvenile Delinquency

40050699c Taipei TZULI WANPAO in Chinese  
14 Aug 89 p 5

[Article by Xie Ruizhi 6200 3843 2520, professor, Department of Public Teaching, Taiwan Teachers College]

[Excerpt] According to statistics from the department of judicial affairs, the number of those 11 years old and below in the population declined from 1978 to 1987.

However, their crime rate per 10,000 for the same period rose from 0.62 to 2.2, a more than threefold increase. Also in the same 10-year period the number of those between 12 and 17 declined by about 210,000. However, their crime rate per 10,000 for the period rose from 31.7 to 67.4, more than 100 percent. During this 10-year period, criminals 12-18 years old numbered more than 104,000. Most of these people have now become adults. But whether they are living normal lives gives cause for concern.

There are truly a multitude of reasons for committing crime. However, most criminal experts categorize these reasons in three aspects: home, school, and society. It can also be said that crime is the product of any one of these factors or a combination of them. Considering the factors involved in juvenile delinquency solely on the basis of education, we can list the following points:

1. Examinations dominate education. This is the result of the year-round uniform examinations. Of the five forms of education, intellectual development is given precedence. And within the area of intellectual development, it is not just the subjects required for the unified examinations that must be pursued with great effort, even greater effort must be focused on Chinese, English, and mathematics for the unified college entrance examination. Students from childhood on use every means at their disposal to achieve success in the examination hall, while in their minds they are unaware of the existence of values and concepts that distinguish good from evil.

2. Schools fail to divide students into classes that represent a normal situation. Educational administrative organs time and again have reiterated that students should be divided this way and that schools should permit division of students only by groups and not by classes since they are supposed to be taught according to their aptitudes. However, seeking to raise the proportion of their students going on to higher-level schools, schools only pretend to comply and actually divide their students into three or five sections. The first section is the superior qualifications class for the highest achievers. Since officials and rich businessmen are often able to find ways to place their sons and daughters in these classes, they are also called the "class of favorites." The second is the "general class." And the last is the "slow learners class," commonly known as the "dummies class."

In setting up superior qualifications classes specially to win achievement for the school, some schools provide the classrooms for these sections with such things as electric fans and controlled lighting. Even though this equipment is donated by the parents, it creates morale problems for the other students. In addition, schools are likely to assign their very best teaching personnel to the superior qualifications class, and even though the same teacher might also teach the other classes, he or she will be more diligent in teaching the superior qualifications class.

If, in fact, students in the general class have the ability to advance themselves, they still have some leeway to alter

their situations. However, the slow learners are totally abandoned. If they happen to have rather strict instructors who at every turn hand out collective punishment, then an indelible impression is made in the minds of these children and their hostility toward society is easily established. Unfortunately, if children are assigned to the slow learners class, not only are their chances of entering college cut off, their roles as losers are accentuated, because they are tainted by their associations, and this creates social problems.

3. There is a lack of education for life. Because the standard by which teaching is measured is the student's promotion to a higher-level school, education naturally is formalized. Regulations stipulate that within 1 month after the end of the year each school should submit a report for future reference on what has been done in education for life and the checks made on the situation. However, usually the forms are filled in, and that is all. Some countries and towns stipulate that the schools getting the highest marks in the examination must be responsible for preparing the following year's education conference on learning from each other. As a result, many school principals prefer to come in second. If education in life is not emphasized, the ethical norms for propriety, justice, honesty, and a sense of shame will naturally be impossible to be instilled in daily life.

4. Citizenship and ethics are not emphasized in education. In scheduling the number of hours that teachers have available to teach, schools commonly assign insufficient time to certain secondary subjects. This often results in a lack of qualified teachers for these subjects. It is generally thought that classes in citizenship and ethics in particular can be taught by anyone. But how can we in this way cultivate a respect for the law and habits of sharing, especially at a time when we are stressing a democratic rule of law?

5. Students' awareness of their rights is on the rise, and the moral ties between teachers and students are on the verge of rupturing. Under the influence of the social climate, the teacher-student moral relationship of the past is now slowly being replaced by a relationship of rights and obligations. Students recognize that they have the right to study, and teachers can no longer consider themselves as wielding authority. If teachers cannot set the example for students by examining both sides of an issue, not only are the students likely to loudly curse them, they might even beat them up.

6. There is a general lack of men in the teaching profession. Currently, mostly women apply to be tested in the main categories of teaching in the unified college entrance examination, and the public teaching department at Taiwan's Teachers College has had very few men students for the past several years. Moreover, in recent years, public middle school students have generally been so arrogant that women teachers cannot handle the bigger male students. Schools have to make do the best they can by asking large, husky men to come in to take charge. A small number of teachers, because they have

been strict, have been assaulted by students at night in their homes. It is evident from this sort of thing how difficult the work can be.

7. Teachers' pay is unreasonable. Normal school graduates taking up their first teaching position receive an extremely meager salary. It usually cannot be compared with that of those entering the business world, and even the most senior university professor's salary is only half what central-, provincial-, or municipal-level representatives make. Some teachers conduct after-hours classes to

supplement household expenses, which means they are kept on the run each day just to make ends meet. How can they then have time left to set the proper example for the students in character development?

The issues described above are the result of an accumulation of factors over several decades. Society is now reaping their harvest. Wise penal policies should be devised to change these factors and to achieve effective prevention. (passage omitted)

# Acting Governor Interviewed on Hong Kong Situation

90ON0043a Hong Kong MING PAO in Chinese  
29 Aug 89 p 6

[Article by Wu Ai-i 0702 7224 0308: "Rebuilding Confidence: Hong Kong's Current Task—Special Interview With Chief Secretary Sir David Ford"; date and place not given]

[Text] In the period of the Beijing student movement, the Hong Kong Government always, with regard to the strong reaction of Hong Kong's people, took a low-key, understanding attitude and did not interfere. The "June 4th Massacre" shattered the confidence of Hong Kong residents, and many people came to feel that the attitude of Hong Kong's government had changed. No longer avoiding this sensitive topic, the Hong Kong Government has granted public interviews and its officials have publicly spoken out on the "June 4th Massacre's" effect on Hong Kong. They particularly emphasized that the Hong Kong Government, in actively facing this issue, definitely did not feel pessimistic.

This change in attitude is believed to mainly focus on the fact that the June 4th Incident caused a sharp-edged problem, namely, the so-called "leadership vacuum." To rebuild their confidence, Hong Kong people must be able to feel that the future is under control; that is to say, that a leader whom Hong Kong people recognize as such will come forward and take charge of the overall situation.

Now acting for the Hong Kong governor, Chief Secretary Sir David Ford told this reporter: "A leader must emerge from the masses in Hong Kong society, but this requires time. At present, the responsibility for leadership still falls on the Hong Kong Government."

In his interview, Ford said without the slightest hesitation that, after the June 4th Incident, the Hong Kong Government's overall tactic was to rebuild the Hong Kong people's confidence and international confidence in Hong Kong. Ford, who personally experienced the 1967 insurrection and the 1982-84 Sino-British talks and who recently faced the followup of the June 4th Incident, may be said to be a battle-tested veteran. But will this "man of iron," who is full of self-confidence, succeed in the end?

[Wu Ai-i] Now that the dust has settled, how do you evaluate the difficulties caused to Hong Kong by the June 4th Incident?

[Ford] The Hong Kong people's strong emotional reaction of the time has gradually subsided, but more time will be needed before the deeper effect of the June 4th Incident can be judged. For example, there are the problems of reestablishing trust between each other and reestablishing confidence in the arrangements made in the Sino-British Joint Declaration. In addition, Hong Kong's international image has been damaged and hard work will be needed to turn it around.

[Wu Ai-i] The June 4th Incident prodded the Hong Kong people to hurriedly seek a way out by emigration. At this time how much actual effect can talk about rebuilding confidence have?

[Ford] No matter how many people leave, there will certainly be more people who stay, say, more than 5 million, and it is highly likely that there will be even more. We certainly must bear them in mind at all times and seek guarantees for them to continue to enjoy their habitual lifestyle and continue to feel that they have a future and have hope. The Hong Kong Government will enhance and promote policies that can strengthen their confidence, like policies on education, housing, and social services, so that they will have confidence in their life in the future and have confidence that the life of the next generation will be even better.

[Wu Ai-i] Will they be in a mood to pay attention to these policies?

[Ford] They will. In the final analysis, what makes society most stable is the continual improvement in the people's lives; what gives people peace of mind is that their lifestyle is guaranteed, society is concerned for them, their children have a future, and the economy continues to prosper.

[Wu Ai-i] What people most worry about is that all of this will change, that the present fond dream will be shattered.

[Ford] That's right. We must focus on the problem of guaranteeing the future, and in particular after 1997 how to keep Hong Kong and the interior separate. I still firmly believe that the arrangements in the Sino-British Joint Declaration will provide the best future for Hong Kong. In addition, we must continue to make people see that Hong Kong's economy remains powerful, and this entails developing large basic facilities and vigorously rebuilding Hong Kong's international image.

[Wu Ai-i] What effect did the June 4th Incident have on Hong Kong's international image?

[Ford] The June 4th Incident was the focus of world attention. Hong Kong and China have close connections, and many people who are unfamiliar with Hong Kong misconstrued the situation by associating Hong Kong with Beijing, thinking that Hong Kong was also in danger of falling into turmoil. We have a complete set of plans to rebuild Hong Kong's image, beginning with the Hong Kong governor's visit to the United States in October. We have arranged for a series of high-level officials and figures with status in industrial and commercial circles to visit various countries, so that political and commercial circles in foreign countries will understand the true situation in Hong Kong. We have also invited some figures from other parts of the world to visit Hong Kong and personally find out the actual situation.

[Wu Ai-i] As I see it, the most difficult problem is to restore the Hong Kong people's confidence in the future.

Hong Kong residents always fear change, and after the June 4th Incident they feared it even more. Do you have any way to deal with this fear?

[Ford] I think that the most important thing is that in the past days Hong Kong residents have learned to take the highly practical attitude of coexisting peacefully with China. At the same time, the Chinese Government fully understands that keeping Hong Kong and the mainland apart is really advantageous for both sides. The principle of "one country, two systems" has not changed and, after the June 4th Incident, the high-level Chinese leaders gave this assurance.

[Wu Ai-i] It is a pity that the Chinese officials at the same time stress that they will not allow Hong Kong to become a "counterrevolutionary base." How can you take care of this demand and at the same time ensure that freedom of speech, which the Hong Kong people have had all along, will not be harmed?

[Ford] This requires understanding by both sides. What you said is correct. Freedom of thought and freedom of speech are an important part of the lifestyle that Hong Kong residents are used to, and cannot be destroyed, no matter what. However, when the people exercise their freedoms, they should consider the consequences and understand that the Chinese Government is naturally particularly sensitive about actions that attempt to shake the authority of those in power, and should avoid interfering in China's internal issues.

[Wu Ai-i] But how should "intervention" be defined?

[Ford] It is very difficult to define. I can only point out that a practical attitude is advantageous for Hong Kong, but I will leave each person to decide for himself how to define it. I won't try to put forward a criterion to make other people do things this way or that way.

[Wu Ai-i] What is the Hong Kong Government's own definition? For example, didn't RENMIN RIBAO condemn the Hong Kong Government for winking at Chih Lien Hui's support of the student movement by contributing money to the Beijing students and to the overseas organizations of Yan Jiaqi [0917 1367 0366] and others, thereby turning Hong Kong into a "counterrevolutionary base"?

[Ford] This question is, on the contrary, simple to answer. The Hong Kong Government's consistent position is that, providing Hong Kong residents do not break Hong Kong's laws, we do not interfere in how they exercise their freedoms. In the past, under extremely difficult circumstances, the Hong Kong Government stuck to this position and it will do the same hereafter. We must stand fast on the expression of the freedom of speech, because the demarcation line between it and breaking the law must be understood by every person. We do not think that Chih Lien Hui's actions broke the law.

[Wu Ai-i] You just put forward the outline of tactics for rebuilding confidence, but given the large talent drain who will implement this plan?

[Ford] After the June 4th Incident, I had very, very many good heart-to-heart talks with government employees. I think that Hong Kong's government employees, as a whole, have a deep sense of responsibility for Hong Kong. I believe that, from now until 1997, and even after 1997, Hong Kong will have a strong and sound government employee system, that the government employees' attrition rate will be far lower than that of employees in privately owned organizations. As for people in specialized trades and professions, really, many of them will leave but more will stay. Our countermeasure is, in one aspect, to enhance the training of talented persons; for a time, when there is an insufficient number of talented persons, such people will be engaged from outside Hong Kong. We will consider further relaxing immigration regulations, so that the specialized skills and specialized talents that Hong Kong needs can be made up from outside.

[Wu Ai-i] If this is done, won't the localization plans retrogress?

[Ford] They will be postponed. However, I believe that the Hong Kong residents will understand.

[Wu Ai-i] Many people are trying to get the right to reside in Britain. How big a chance do you see for lowering the talent drain?

[Ford] Information released by various quarters in Britain shows that, because of political factors, it is not possible for all Hong Kong residents to get this safe passage. One possibility is to design a set of methods so that those trades and professions important to Hong are identified, and decisions on the important talents that can be kept and important talents that can be lost are made. This practice would have slightly divisive results, but if there is no other good method then it should not be rejected.

[Wu Ai-i] Are these "important talents" mainly government employees?

[Ford] No, they should include all quarters of society: industrial and commercial circles and figures in specialized trades and professions. Government employees definitely should not be the great majority.

[Wu Ai-i] Besides government employees, many people are concerned about the problem of the development of the political system and of leadership talents. How do you see the prospects for this?

[Ford] Hong Kong's future depends on competent political leaders who come from the masses of society. The development of a democratic political system will help these leaders emerge, but this process requires a period of time. At present, the responsibilities of leadership still fall on the shoulders of the Hong Kong Government. We hope to gradually establish a system in which officials and leaders from the masses of society will, hand in hand, take on these responsibilities, so that the leaders

from the masses of society will fully participate in administration and in the two councils, taking on heavier responsibilities for formulating policies.

[Wu Ai-i] Specifically speaking, do you mean establishment of a "ministerial system"? Or do you mean a legislative council in which there is political party politics and in which popularly elected legislative seats are in the majority?

[Ford] I think it is too early to decide on a blueprint. As for how people are elected, I think that there will always appear some political bodies, which will perhaps develop into organized political parties with common convictions. However, it is not necessary to copy the tradition of the West with a division between "conservatism" and "socialism." It is highly likely that they will be formed around some individual figures.

[Wu Ai-i] I feel that what is most important is how people get elected and, after they get elected, how in the legislative council they form camps and forces and use these forces to attain certain political objectives.

[Ford] This touches upon the second factor in the development of a political system. I think that the members of the legislative council will naturally coalesce into some bodies in the future. From these bodies leaders will emerge, and on different policies the scope of their actions will be particularly concentrated, becoming the chairman of various policy groups and policy committees (like the Housing Committee). In the end, they will cross over into the Executive Council and become the contacts between the two organizations—legislative and executive. In the future they will formulate policies. The present policy officials will, at that time in the development of events, be the government employees who provide the background materials necessary for the formulation of policies.

[Wu Ai-i] Is this a "ministerial system without political parties"?

[Ford] What it is called is unimportant, but I can say that it will be impossible for the political party that holds the majority of seats in the Legislative Council to form the government.

[Wu Ai-i] But in the 1991 Legislative Council two-thirds of the seats will be popularly elected. Will this proposal be accomplished?

[Ford] The Hong Kong people's intention now is to accelerate democratization. For example, if city residents can reach a common understanding, the government is bound to react. As for how many more popularly elected seats there will be, at present it is impossible to say with certainty. However, as a practical government employee, my view is that, with regard to the pace of democratization, not only must we consider political factors, namely, the city residents' expectations, but also must consider the factor of reality, which is that it would be too great a change, making it impossible for government departments to

adjust in good time. This would cause breakdowns when the new system goes into actual operation.

[Wu Ai-i] From enhancing social policies, coping with the talent drain, striving for international understanding, and controlling Sino-Hong Kong relations, down to developing the political system and bringing up political leaders, the Hong Kong Government obviously has a set of long-range plans. However, a crisis in the problem of the Vietnamese boat people is drawing near. Once it happens, the long-range plans will vanish into thin air. What sound strategy do you have for this?

[Ford] I understand very well that in their hearts Hong Kong's residents have strong feelings of dissatisfaction, but I hope that they will exercise patience for a time. We have made major progress. The policy of screening has gained international admission for them. Of course, repatriation will be the inevitable result, and it is what we are working hard for. As a government, we must consider what disastrous effect there would be on the city's residents once Hong Kong's prestige is lost.

[Wu Ai-i] What, in essence, would the disastrous effect be?

[Ford] With the United States taking such a tough attitude, a trade boycott is not impossible. In addition, in too many places Hong Kong needs international support, including the housing of refugees. Damage to Hong Kong's prestige could even adversely affect immigration policies.

[Wu Ai-i] If Singapore liquidates its position of being first to take in Hong Kong people, why wouldn't we see any disastrous effect?

[Ford] Unfortunately, the world uses fairly high humanitarian standards to criticize Hong Kong. A more realistic factor is that the world does not necessarily pay attention to anything that Singapore and Malaysia do. But Hong Kong is an enormous international news center, and all the major news organizations, radio stations, and television stations have representatives here. The June 4th Incident taught us the lesson that the television image has great power. Just think, if there were global television relays of pictures of us blocking the boat people from entering Hong Kong and pictures of the boat people drowning at sea, would there be any hope of restoring Hong Kong's prestige?

[Wu Ai-i] Hong Kong is in troubled times. As chief secretary of the Hong Kong Government and also acting governor of Hong Kong, what are your feelings?

[Ford] I am certainly not pessimistic about the future. I and many Hong Kong people have gone through many major crises. Particularly in 1967, the whole world said that Hong Kong was finished. Many Hong Kong people left, the Hong Kong dollar was devalued until it was nearly worthless, and property values tumbled until they couldn't go any lower. But we survived. I saw that the Hong Kong people remained confident that year, and after 1967 this confidence grew until today it is even more firm and unshakable.